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NEWS SUMMARY

GENERAL

Israel rejects call for revenge

Israel's Defence Minister, Ezer Weizman, turned down extremists' demands for punitive action against Palestinians on the occupied West Bank in revenge fo rthe killing of six Jews.

He told the Knesset: "We are still on the road to a difficult solution. Let us not play into the hands of those . . . who try to divert us."

Meanwhile, there were disturbances on the West Bank. Israeli forces fired tear gas on Arab schoolgirls who blocked a road, and a grenade was thrown at a military vehicle in Gaza. There were no casualties. Pages 2, 3

Diplomat charges

Three men were remanded in custody in Belfast on charges connected with the kidnapping and murder of West German industrialist and diplomat Thomas Niedermayer seven years ago. His skeleton was found two months ago.

Libyans expelled

Relations between the U.S. and Libya worsened with the expulsion from Washington of four more of Col. Gaddafi's diplomats.

DC-9 crashes

Tail and rear fuselage broke off a DC-9 Super 80 during heavy landing tests in the U.S. Page 4

Seaside violence

More than 100 youths will appear in court at Brighton following fights between rival gangs and attacks on a public house and a shop in the resort.

Bodies freed

Bodies of eight American commandoes killed in the unsuccessful raid in Iran have been handed over to the Greek Catholic Archbishop in Tehran and are expected to be flown to Switzerland today.

Airline arrests

Three more British Airways staff have been charged at Uxbridge with conspiring to defraud the airline, bringing the number of arrests in four days to 14.

'Pledge broken'

Opposition leader James Callaghan accused Prime Minister Margaret Thatcher of breaking her election pledges, particularly the undertaking to reduce taxation. Page 6

Moscow-bound

Olympic committees in Iraq and Sri Lanka have decided to take part in the Moscow Games this summer.

Better service

Motorway service areas are criticised by motorists in a Consumers' Association survey, but the organisation says in Holiday Which? that standards are improving.

Mountain blaze

Scrubland blaze on a remote North Wales mountainside was put out after three days.

Briefly . . .

Premier Constantina Karamanlis has been elected President of Greece. Page 3

Two Israeli warships visited an Egyptian port for the first time since last year's peace treaty.

PUBLISHER'S NOTICE

The Financial Times apologises for errors contained in this issue which are due to difficulties in the reading department.

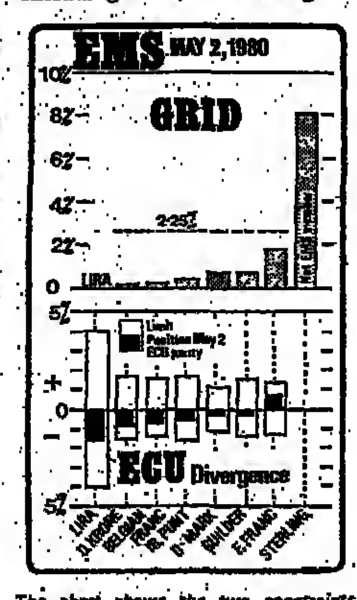
BUSINESS

EEC acts on U.S. fibre dumping

● ANTI-DUMPING duties averaging 15.6 per cent have been imposed on U.S. acrylic fibres entering the Common Market by the EEC Council of Ministers. Back Page

● EUROPEAN CHEMICAL companies are urging the U.S. Government to agree a temporary levy on U.S. petrochemical exports to the UK and Continent. Back Page

● EEC FARM Council meeting in Brussels today could start with the French trying to force a 5 per cent farm price rise on the basis of a majority vote excluding Britain. Back Page



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may deviate more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● THERE WAS little overall change in the European Monetary System last week despite movements in interest rates. The French franc remained the strongest currency, followed jointly by the Dutch guilder and German D-mark.

The rise in German interest rates on Wednesday helped the D-mark, while the cut in some Belgian rates led to a renewed weakness of the Belgian franc. By Friday, the Belgian currency had recovered slightly, and once again was firmer than the Danish krone.

The Italian lira was the weakest member of the EMS throughout last week, but lal remained well within the divergence limits.

● WALL STREET was up 0.51 at 811.43 near the close.

● TARMAC, the Wolverhampton-based civil engineering group, has been asked to undertake a feasibility study for a second tunnel under the Suez Canal. Back Page

● NATIONAL ECONOMIC Development Council is to debate UK economic problems tomorrow following reports on policies from the Government, the CBI and TUC. Back Page

● VOLVO, the Swedish car and truck group, expects greater problems this year than last, but hopes to maintain last year's earnings of SKr 1.24bn (£129.7m). Page 28

LABOUR

● GREEN PAPER on trade union immunity is planned to repair Government relations with the TUC. Back Page

COMPANIES

● LAIRD, the engineering group, reports second half profits down from £6.29m to £5.69m, leaving the 1979 taxable surplus at £10.73m (£11.12m). Page 18. The group has reached agreement with the Government for compensation of £3.75m in settlement of its claim for Scottish Aviation. Page 5

CONTENTS

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Hostages freed in embassy blasts

TWO explosions ripped through the Iranian Embassy in London last night, setting it on fire. Gunmen who stormed the building on Wednesday morning had been holding about 20 people hostage.

The first explosion came at 7.23 pm and the second less than a minute later, followed by a rapid borst of gunfire.

Soon after, with thick clouds of smoke and flames pouring from the building, a white flag appeared from an upstairs window.

Police lead at least eight people out of the building after the explosion.

Lord Carrington, Foreign Secretary, said later the hostages had been rescued and three gunmen killed.

As policemen kept an armed guard on the front of the building, firemen trained hoses at second- and third-floor windows.

About half an hour before the blast, three shots were fired inside the embassy and a dead body was later pushed out of the front door.

Police negotiators asked the gunmen what was going on inside the building, but got no reply.

Then came explosions and black smoke and flames poured from upstairs windows and a loud burst of machine gun fire was heard.

The dead man has not yet been named. At least 14 of the hostages are now free. Police Constable Trevor Lock, is alive and well. BBC sound recordist Sim Harris was also released and was said to be unhurt.

Scotland Yard says several gunmen have been detained.

Deputy Assistant Commissioner Peter Neivens said last night: "The siege has come to an end. With the approval of the Home Secretary, units of the Special Air Services Regiment were deployed in the final stages.

"Action which cost lives was not a good result, but unfortunately the gunmen took extreme action and the commissioner had no option than to urgently consult the Home Secretary and order the raid."

As the drama came to a head, various Arab ambassadors went to the Foreign and Commonwealth Office for talks on the crisis. The guomen had asked smbassadors to mediate.

During the afternoon, representatives from Arab League countries met for discussions.

Police were still awaiting the result of the diplomatic talks when the explosion took place.

Gas pricing body plan to aid pipe finance

BY RAY DAFTER, ENERGY EDITOR

MINISTERS considering plans for a North Sea gas pipeline probably costing between £1bn and £1.5bn, may establish a tariff regulation authority to avoid a clash between the British Gas Corporation and pipeline investors.

Mr. David Howell, Energy Secretary, is expected to call on a consortium of investment groups and private companies—including oil and chemical groups—to finance the 400-mile pipeline which will collect gas from a large number of fields in the northern sector of the North Sea. The consortium coul dtake the form of a private sector public utility, carrying natural gas ashore for British Gas.

But prospective investors say the monopoly buying power of British Gas could dampen the attractiveness of the scheme. With British Gas controlling prices, they would be worried about obtaining an adequate return.

It is understood that these misgivings have been passed on to energy Ministers and officials who are considering the establishment of a new tariff-setting body as a potential solution.

Mr. Peter Gaffney, a UK-based oil industry consultant, said North Sea gas development would benefit from a more open gas pricing policy. British Gas was unable to meet all of its demand because of pricing policies had had a "dampening effect" on past exploration and production. Past pricing policies had been both aggressive and regressive—oil companies in the southern basin of the North Sea had not received high enough prices for the gas they produce.

Mr. Hamish Gray, Minister of State for Energy, who is taking industry soundings at the Offshore Technology Conference in Houston, Texas, this week, said yesterday that the Government was confident that a solution would be found to both the financing and organisational problems associated with the pipeline project.

While he would not comment on detailed Government plans be was "confident that the system would go ahead." The feasibility study conducted by Mobil and British Gas showed the pipeline would be viable with the amount of gas available in UK waters. The Government also boped that it would be able to tap Norwegian gas from the Statfjord field, he said.

Unconfirmed reports in Houston also indicate that UK companies are winning the lion's share of offshore contracts in the British sector of the North Sea. Government figures to be announced shortly are expected to show that UK suppliers captured between 7? and 80 per cent of the market, worth more than £2.5bn last year. The performance was a marked improvement on 1978, when UK companies won about two-thirds of the domestic offshore orders.

Mr. Gray said in a speech at the conference that the trend was "very encouraging." In 1973, when offshore development was just getting under way, UK suppliers of goods and equipment were winning only 25-30 per cent of the orders.

U.S. prime rate cut

BY DAVID LASCELLES IN NEW YORK

THE U.S. prime rate dropped sharply again yesterday as expectations mounted in Wall Street that the Federal Reserve would seen have to ease its tight credit policy.

The move was led by Chase Manhattan, which cut its prime from 18½ per cent to 18 per cent. Soon afterwards, Morgan Guaranty leapfrogged down to 17½ per cent. Some banks followed Morgan, but most stayed with Chase at 18 per cent.

This means the U.S. prime rate has dropped 2½ per cent from the 20 per cent peak it reached less than three weeks ago. Market analysts say this is the sharpest prime rate decline on record.

The prime bas yet to match the drop of five points or more in other short-term rates, mainly because the banks are cautious about expanding their lending. But there is already evidence that some of them are privately undercutting their own prime rates to test the demand for business loans.

Yesterday's cut came against a background of a further broad decline in interest rates. Within minutes of the opening yesterday morning, some rates had fallen by as much as 1½ percentage points, and though they subsequently eased a little, the underlying tone of the market was described by one trader as "strong."

The markets are taking heart from the growing conviction that the Fed must soon relax at least part of the credit restriction which it imposed in its mid-March anti-inflation package.

Recent economic indicators suggest that the economy is moving into a recession somewhat faster than the Fed would like. The sharp contraction in the money supply in the last four weeks is also seen as an unhealthy trend.

These considerations might prompt the Fed to ease the monetary reins and try to nurse the economy into a "soft landing."

The Fed will also have to do something about its discount rate (the rate at which it lends funds to bank members of the reserve system). This rate, currently 13 per cent plus a 3 per cent surcharge for large banks, has not been changed since rates turned.

The main Fed funds rate (the overnight Interbank rate) which is normally higher than the discount rate, yesterday dipped more than a point below it, to 11½ per cent.

The Fed has already made it clear indirectly to Wall Street through its interventions in the Fed funds market that it wants interest rates to fall. However, the market is now looking for some overt action.

Pressure for cut in MLR

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STRONG POLITICAL pressure is building up for a cut in Minimum Lending Rate though there is influential official advice urging caution.

A reduction still looks unlikely before June at the earliest in spite of the further fall in U.S. prime rates. The City financial markets will be looking at the new banking figures, due to be announced tomorrow for any clue to official intentions.

The build-up of political pressure, notably from the Prime Minister, has been the main new development of the last fortnight. Mrs. Thatcher has never disguised her dislike of last year's increases in interest rates and in her BBC radio interview on Sunday's "World This Weekend" she said MLR "would not be kept up a moment longer than it has to be."

This "moment" is now the subject of lively debate within the Government. Some ministerial and the majority of official opinion, both within the Treasury and the Bank of England, is against an early move.

This is partly because of a desire to avoid being caught out like last year when a couple of months' favourable money supply figures were followed by a deterioration. There is a natural desire not to have to follow a cut in MLR with an increase later this year.

In particular, officials are concerned about current strong inflationary pressures and they are uncertain about the demand for bank loans, especially from industry, and about the buoyancy of domestic credit expansion.

A further complication is the end of the corset controls on the growth of the banks' operations. Some lending which has evaded these controls—the so-called commercial bill leak—may now be switched back into more conventional forms of lending and this would boost the published figures for the growth of the money supply.

Consequently, the Treasury and the Bank may want to see at least another month's figures—or possibly two months'—before considering a change in MLR.

Market expectations about a cut have increased following indications from Sir Geoffrey Howe, the Chancellor, that the underlying rate of monetary growth is within the target range. Respected analysts such as Barclays Bank have also said that a cut would be justified by the middle of the year.

£ in New York

	May 2	previous
spot	$2.2560-2580	$2.2600-2615
1 month	0.77-0.70 dis	0.60-0.55 dis
3 months	1.47-1.41 dis	1.48-1.43 dis
12 months	3.65-3.45 dis	3.90-3.75 dis

Yugoslavs line route as Tito's cortege passes

BY TONY ROBINSON IN BELGRADE

THOUSANDS OF Yugoslavs lined the railway tracks to pay their last respects to President Tito as the blue Presidential train, carrying his body on its final journey from Ljubljana, passed through Zagreb, the Croatian capital, to Belgrade yesterday.

From the station there the cavalcade carried Marshal Tito's coffin through crowds of silent mourners to the neo-baroque Federal Parliament building, where he will lie in state until the funeral on Thursday.

Mr. Lazar Kolisevski, the new President, with other members of the collective leadership and old partisan comrades, awaited the cortege.

Among the first to lay a wreath on the dead President's coffin was his estranged wife Jovanka, who had been excluded from all official functions and lived apart from him for the last three years.

Marshal Tito's two sons from his first two marriages followed her, and only then did the official State and Party mourners lay wreaths in their turn, while outside a military band played funeral music under a leaden grey sky.

For the next three days and nights of lying-in-state, Yugoslavs from all walks of life will file past the coffin and pay their last respects to the man who led the struggle against the Nazi invader and Stalin's dictate, and who came to symbolise Yugoslav unity and independence.

The funeral is expected to be one of the largest and most comprehensive gatherings of world political leaders ever seen.

Final arrangements are being made to accommodate Heads of State and Government, and leaders of political parties from both sides of the East-West ideological divide and from the non-aligned countries.

The guest list is still far from complete.

It is not known, for example, if neighbouring Albania, one of the few countries which Marshal Tito never visited, will send a delegation at all. No flag was flying outside the Albanian Embassy yesterday morning, while the others flew their flags at the half-mast, as did Yugoslav public buildings.

Significantly the first country to announce her delegation was China, which had denounced Yugoslavia as a heretic in the Communist movement for over a decade.

China is sending her top man, party chairman and Prime Minister Hua Guofeng. From Washington it was announced last night that Vice-President Mondale will lead the U.S. mourners.

The Russians, have not announced their delegation, but President Brezhnev is not expected to attend.

For Britain the Duke of Edinburgh and Mrs. Margaret Thatcher are expected.

Feature and Obituary, Page 17

Hunts to sell silver worth $820m

BY JOHN MAKINSON IN NEW YORK

THE HUNT brothers of Texas will slowly dispose of around 63m ounces of silver under an agreement reached between leading North American banks and Placid Oil, a Hunt family company.

The silver, valued at around $820m at current prices, represents around one-seventh of the Western world's silver consumption in 1979.

It is almost certainly less, however, than the Hunts owned a few months ago. They have been obliged to sell the metal to meet commitments on futures contracts: the sales were prompted by a dramatic fall in the silver price from $50 to less than $11.

Placid announced last week that it had arranged a loan of $1.1bn with a group of 13 North American banks. It said $300m has already been advanced.

Placid will transfer most of the loan proceeds to a partnership which it is forming with the Hunt brothers. The credit will be used to pay loans secured on a variety of assets, including the silver.

The loan will be for 10 years and is designed to relieve pressure on the Hunt brothers to sell their silver. They would otherwise need to sell silver fast to meet payents. Forced sales could depress the silver price dramatically.

The $1.1bn financing should be completed within the next few weeks, Placid said. The Hunts have agreed not to take any speculative positions in commodities or securities markets.

John Wicks adds from Zurich: The Hunt Brothers now owe Swiss Bank Corporation considerably less than the sums revealed during last week's Congressional hearing, the bank says.

The Brothers said on Friday that their debts to SBC amounted to $100m on the part of W. Herbert Hunt and to more than $100m in the case of Nelson Bunker Hunt.

The sums have been "substantially reduced in the past weeks," according to the bank, and are fully covered by diversified collateral. The bank would not say if any of this collateral was in the form of silver.

Carrington's reminder for U.S.

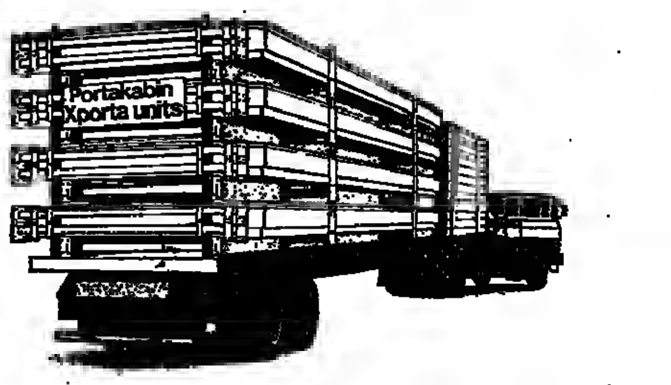
BY DAVID BUCHAN IN WASHINGTON

THE U.S. should not lose sight o fthe broader issues in its concern for the release of the Tehran hostages, Lord Carrington, Foreign Secretary, has reminded the Carter Administration.

In talks with the President and his foreign policy advisers yesterday, and in several television appearances, Lord Carrington has made clear the British view that military action against Iran would be counter-productive—not least because it might propel Iran and its Afghan neighbours into Soviet arms.

Yesterday morning Lord Carrington saw Mr. Carter briefly at the White House, and then Mr. Zbigniew Brzezinski, the National Security Adviser and Mr. Warren Christopher, Acting Secretary of State, as well as his designated replacement, Senator Edmund Muskie. Lord Carrington said he hoped additional diplomatic means would be used to try to resolve the hostage crisis.

In an early morning TV interview, Lord Carrington did not specify what these steps should be.



Warning for Carter in Texas victory

By David Buchan in Washington

PRESIDENT JIMMY CARTER and Mr. Ronald Reagan are expected to increase their leads for their parties' nominations in four primary contests today—Indiana, Tennessee, North Carolina, and the District of Columbia — following Pyrrhic victories in Texas over tha weekend.

As universally predicted, the President overwbelmed Senator Edward Kennedy in the Democratic popular vote in Texas, a big and weighty state in the electoral process. He won 56 per cent of the vote, against 22 per cent for the Senator. Though delegate apportionment was separately determined, Mr. Carter is sure to get at least 100 of the state'a 152 Democratic dalegates.

The President may have beaten his rival in every demographic category in Texas execpt for Mexican-Americans. Bnt the blemish in his victory, boding ill for the general election against a Republican.

In the Republican race, Mr. Reagan beat Mr. George Bush in the popular ballot—but only by a measly 5 per cent (52-47 per cent) in a state *which* the Californian swept in 1976 against President Ford. However, the canny Reagan tacticians ensured bere, as many times before, that any setback in the popular vote result was redeemed by the outcome in delegate selection. Winning a probable 65 out of 80 Texan delegates put Mr. Reagan nearer than ever to the nomination.

As representatives of both East and West gather for Tito's funeral

Meetings likely in Belgrade

BY ROGER BOYES IN BONN

Herr Honecker—praise

THE FUNERAL of President Tito could provide the scene for high level East-West contacts, including a possible meeting between Chancellor Helmut Schmidt of West Germany and Herr *Erich Honecker, the East* German Leader.

Officials in Bonn bave indicated that West Germany would give a cantions welcome to such a meeting, but much depended on the East German attitude. Herr Schmidt was due *to visit* East *Germany* in the early part of this year—it would bave been the first intra-German summit for almost a decade—but the Soviet invasion of Afghanistan complicated the situation.

Bonn officials argued yesterday that East-West links at the Belgrade funeral would be in keeping with the philosophy of President *Tito—both sides* should keep talking, especially at times of international crisis.

This is evidently the view of the Chancellor, who will travel to Yugoslavia with Herr Hans Dietrich Genscher, his Foreign Minister.

It is still uncertain who will represent East Germany at the funeral. Herr Honecker praised President Tito's "anti-fascist" policies extravagantly in a message carried by the East German press yesterday.

Harr Schmidt confirmed last week that be was planning to go to Moscow "in the near future" and that he would use the opportunity to urge the Soviet leadership to withdraw its troops from Afghanistan. The Chancellor will thus be the first Western leader to visit *Moscow* since the Afghan invasion—a fact which has prompted criticism from the Christian Democrat opposition, which stresses that Herr Schmidt should not become an "interpreter" between the United States and the Soviet Union. Moscow and Washingtoo should talk to each other directly and not through Bonn, stressed Dr. Helmut Kohl, the CDU leader.

The super powers, however, now seem set to open up a direct dialogue. The White House has approved a meeting between Mr. Edward Muskie, the Secretary of State-designate and Mr. Andrei Gromyko, the Soviet Foreign Minister, in Vienna on May 16. The U.S. and the USSR will also be represented by senior officials—Mr. Walter Mondale, the Vice-President, and Mr. Vassili Kuznetzov, the Soviet Deputy President—at the funeral of President Tito.

Subdued Soviets offer profound sympathy

BY DAVID SATTER IN MOSCOW

SOVIET REACTION to tha death of President Tito of Yugoslavia has been subduad and respectful, with expressions of *sympathy for the Yugoslav* people and no mention of the serious differences whicb divided the Yugoslav leader *from* a succession of Kremlin rulers.

In keeping with a policy that may bave been decided years ago, the Soviets are now expected to wait cautiously for the situation in Yugoslavia to become clearer before making any attempt to increase their *influence in the Balkan State.*

The Soviet party and Government offered "profound condolences" to the Yugoslav party *and State and the Communist* Party newspaper Pravda, yesterday carried tbe newa of President Tito's death in a brief front page report.

The Soviet news agency, Tass, said that Mr. Marco Orlandic, the Yugoslav Ambassador in Moscow, yesterday held meetings at his request with Mr. Andrei Gromyko, *the* Soviet Foreign Minister, and Mr. Mikhail Suslov, the chief Party ideologist, *to discuss President* Tito's death.

There is believed to be little prospect of Soviet pressure on Yugoslavia *itself* in the sbort run bot Moscow may seek to take advantage of the weakened authority of Yugoslavia in the *non-aligned movement now* that President Tito ia gone, to renew efforts to bring the movement in line with Soviet aims.

As one of the founders of the non-aligned movement, President Tito had great personal prestige and he defended the idea that the non-aligned movement should keep its distance from both power blocs. Ha argued with Mr. Fidel Castro, the Cuban leader, at the non-aligned summit in Havana *last summer* after Mr. Castro said the Soviet Union was the "natural ally" of the movement.

But the Soviet Press has avoided polemics against Yugoslavia since President Tito fell ill and this is expected to be the pattern for at least the next few months.

New DC-9 test failure may hit deliveries

By Our Foreign Staff

McDONNELL-DOUGLAS said yesterday the tail separated from one of its new DC-9 Super 80 airliners during high sink-rate landings at Edwards Air Force base.

The rear section of the fuselage behind the engines, including the T-tail assembly, came off during a beavy landing on Friday, the company said, but the rear pressure *bulkhead remained intact.*

The aircraft is the latest version of the DC-9 and it has been widely seen as a major contributor to the growing short-haul aircraft market in the 1980s. It made its maiden flight only last year, and the first model was to be delivered later this year.

The company has more than 100 firm orders and options the Super 80, worth at least $1bn. *Swissair, so far, is the* largest customer with 15 firm orders and five options with Australian Airlines right behind with nine firm orders and three options.

Citroen plan to cut May output

By David White in Paris

FURTHER EVIDENCE of a slump in demand for French cars came yesterday when Automobiles Citroen announced that it would close down its factories for five working days this month.

The company, one of the main arms of the Peugeot-Citroen-Talbot group, said it had chosen this path instead *of reducing its standard* working hours. The closedown, which includes a four-day stretch from May 27 to May *30, will affect all its plants* except for one motor factory in Lorraine which will shut for only two days. Citroen *closed* down for two days in early February.

Denmark agrees economic package

THE DANISH Social Democratic minority Government reached agreement yesterday with the Radicals, Christian Peoples' Party and Centre Democrats on economic policy measures designed to reduce the country's balance of payments deficit, Hilary Barnes writes from Copenhagen.

The agreement includes an increase in Value Added Tax from 20¼ per cent to 22 per cent, higher taxes on oil, petrol and electricity, *cuts in* public spending and a programme of measures to help employment and business.

Botha intervenes

MR. P. W. BOTHA, the South African Prime Minister, yesterday intervened in the three-week-old school boycott by tens of thousands of coloured (mixed race) school students, with a promise to consider an inquiry into the whole field of South Africa's racially-segregated education system, Quentin Peel writes from Johannesburg.

IMF proposes tough measures for Turkey

BY METIN MUNIR IN ANKARA

THE Internatiooal Monetary Fund (IMF) is not satisfied with tbe progress the Turkisb economy has made following the Government's economic stabilisation *measures* last January and bas recommended new corrective measures, a senlor official said in Ankara.

The recommendations centre around five principal points:

- A new devaluation of the Turkish lira by 20 per cent to maintain a realistic exchange rate policy.
- An increase in tha level of interest rates to mobilise private savings as well as to *increase* the effectiveness of monetary policy.
- New legislation to raise some tax rates to take account of rapid inflation.
- A new upward adjustment of the prices of goods and services sold by state enterprises.
- A limit on wage awards to stem the increase in the rate of inflation.

The stabilisation measures bave not stopped the acceleration in the rate of inflation which is expected to be over 100 per cent in 1980, compared with 80 per cent in 1979. Exports and expatriate workers' remittances bave not responded favourably.

Turkey and the IMF are in the process of negotiating a new stand-by arrangement for one year. This will be the third consecutive arrangement since Turkish Governments began seriously trying to resolve the country's economic crisis in 1978.

Mr. Turgut Ozal, the Government's chief economic advisor, is expected to fly to the U.S. today to bold discussions with Fund officials. He is expected to reach an agreement in principle on his country's Letter of Intent and the new stand-by arrangement is expected to go into effect at the beginning of June.

Mr. Suleyman Demirel, the Prime Minister, is at the bead of a minority Government and is having difficulty with tho parties supporting him, who may not find tbe IMF's proposed measures palatable.

Palestinians keep up West Bank violence

BY DAVID LENNON IN TEL AVIV

ISRAEL'S PROBLEMS with the occupied West Bank appeared to be intensifying yesterday as the Palestinians continued their violent protests against the *occupation and the negotiations* with Egypt over Palestinian autonomy tebered on the verga of collapse.

The West Bank is still racked by widespread protests by the 700,000 Palestinian residents, angered by the deportation of *three of their leaders following* last Friday's guerrilla attack on Jewish settlers in Hebron.

At the autonomy talks bere, the American mediators were desperately trying to prevent a total breakdown. The problem arose wheo the Egyptian delegation suspeoded its participation in the working sub-committees because of Israeli refusal to establish a committee to discuss *security arrangements* for the West Bank after autonomy bas been introduced.

Despite a tough clampdown by the Israeli Army, there bave been sbop-keepers' strikes, women and children have staged protest meetings, street marcbes, and Israeli vehicles bave been stoned. The army has responded with tear gas, clubs, curfews, forced opening of sbops and arrests.

The death toll in Friday's attack rose to six yesterday when one of the 17 people wounded in the grenade and automatic rifle attack died in bospital.

The swift expulsion on Saturday of the mayors of Hebron and nearby Halhoul and the riligious leader of Hebron, far from cowering the Palestinians living under occupation, *has* enflamed the already tense situation even further.

The disturbances in the last *few* days have *spread to towns* and villages which bave seldom before played any role in the protests against the occupation. In Gaza there was an unsuccessful grenade attack oo an Israeli military vehicle.

Hebron and the surrounding area remained under curfew for the third day yesterday as the army continued its search for the guerrillas. The Israelis demolished four Arab-owned shops and houses beside the Hadassah building where Jewish settlers have been squatting since last year and which was the site of the attack.

Four leading West Bank Palestinians won a high court interim injunction against any attempt by the military authorities to deport them. They are all members of the National Guidance Committee, (NGC), the Palestinian *Liberation Organisation*-oriented body which Israel says plays a major role in fermenting unrest and resistance in the *occupied territories.*

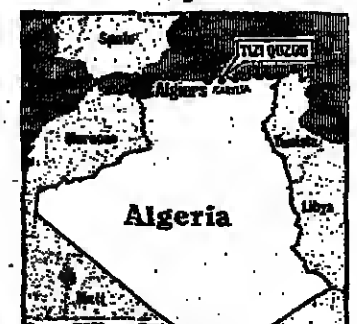
The deported mayors were leading members of the committee as are the mayors of Ramallah, El Bireh and Nablus, who say they bave also been threatened with deportation.

On Sunday, the Israeli Cabinet beld a lengthy discussion about the deteriorating security situation on the West Bank and agreed that firm measures should be used to quell disturbances.

RIOTS IN ALGERIA

Berber fight against Arabisation policy

BY OUR FOREIGN STAFF



A VICIOUS riot and a series of demonstrations in Algeria over the past month have opened a cultural and ethnic wound which has grave political implications for President Chadli Ben Jedid.

The campaign by Algeria's 5m Berbers, about a third of the population, against the Government's "Arabisation" policies erupted into battles with the security forces which left scores injured, at least one reported death, and hundreds of arrests.

The Berber heartland in the mountainous Kabylia region of northern Algeria, about 80 miles east of the capital, has been the centre of the dispute. Unrest was sparked off last month, when the regional governor of Tizi Ouzou banned a lecture on ancient Berber poetry at the town's university. Gendarmes and military security forces moved into the university and hospital to break up a sit-in by students and staff. As many as 200 people were reported injured.

The students demanded that the Government should recognise freedom of expression and popular culture, rather than force both into a predetermined national mould.

Students in Algiers demonstrated in sympathy with their Tizi Ouzou fellows, and met a baton charge from the police.

A pitched battle was also reported between security forces and workers in Tizi Ouzou's large electronics factory. A popular local singer, Ferhat, was among those arrested.

The Tizi Ouzou riots emphasise the lack of control exercised by President Chadli, elected just over a year ago to succeed the late President Houari.

The demonstrations must also be seen in the context of the run up to the party congress of the ruling Front de Libération Nationale later this spring, when major decisions will be taken on the economy and education.

The Government has always been loath to tolerate threats to the supremacy of literary Arabic as the official language, even though it differs greatly from the "dialect" Arabic of everyday use.

Government control over the media, and thus over the freedom of expression and information has been an additional and widespread grievance.

Algerian leaders are fond of quoting a formula used by one of the early nationalist leaders, Sheikh Ben Badis, which states: "Algeria is my homeland, Arabic my language and Islam my faith."

Sheikh Ben Badis also recognised the Berbers' role, but the Government has ignored that fact.

Most people in the Maghreb—which comprises Tunisia, Algeria and Morocco—are of Berber extraction.

Their language and rich culture are very different from that of the few thousand Arab invaders who occupied the region about 1,000 years ago.

The coastal plains, at least around Algiers and Tunis, were Arabised after a few centuries, but the people of the mountains and remoter areas clung to their culture.

Teaching of Berber has, for all practical purposes, however, been banned in Algeria since independence in 1962.

The problems of the Kabylia also have roots in recent French colonial history. The French singled out the Berbers for preferential treatment during the 130 years of their rule. Many Kabyles fought alongside French troops during the two world wars, and many have worked in France since 1920.

The French, arguing that St Augustine was a Berber, hoped to convert the Kabyles to Christianity and divide them from the Arabs.

Kabyles hold prominent posts today in Algeria, as senior civil servants, diplomats, and in universities, but not usually in the upper echelons of the army, although Algeria's effective second in command, Mr. Kasdi Merbah, the secretary-general of the Ministry of Defence is a Kabyle.

The speeding up of the Arabisation campaign last winter has without doubt played a greater part in the present unrest than the "external" manipulations which Algerian officials have alleged.

Earlier this month, the President, replying to the Kabylia students, rejected their demands and claimed that discontent was being stirred up by foreign interests because Algeria had increased its energy prices.

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OVERSEAS NEWS

NEW GOVERNMENT EXPECTED TO BE FORMED SOON

Karamanlis elected Greek President

BY OUR ATHENS CORRESPONDENT

THE veteran Greek statesman Mr. Constantine Karamanlis, was yesterday elected President of the Republic by the Greek Parliament.

Mr. Karamanlis, 73, who is leader of the ruling New Democracy Party, received 183 votes, a narrow three-vote margin above the 180 required in the third and final ballot.

With both the Pan Hellenic Socialist Movement (PASOK) of Mr. Andreas Papandreou and the Moscow-line Greek Communist Party (KKE), which together hold 104 of the 300 seats in the House, opposed to his election, Mr. Karamanlis failed to obtain the required 200 votes in the first and second ballots last month.

The New Democracy Party commands 174 seats and the nine additional votes yesterday came from Deputies of the five smaller parties, and Independents.

Mr. Karamanlis will be the country's second President since the Greeks chose, in a 1974 *referendum, to abolish* the monarchy. He will replace Mr. Constantine Tsatsos, whose five-year term ends on June 20.

Mr. Karamanlis, who had dominated the Greek political scene for the past 25 years—during which he was Prime Minister for 14 years—is expected to use his presidential prerogatives to regulate the country's future.

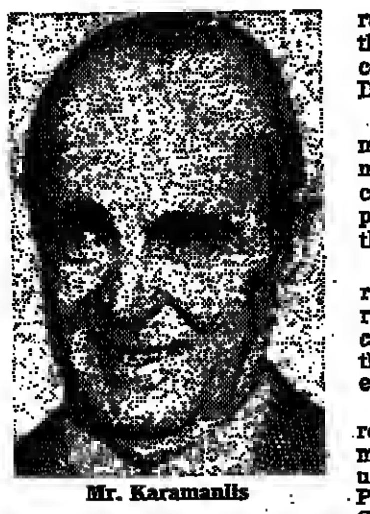
Under the constitution, he will not be involved in formulating policies, but can block legislation, hold a referendum on crucial national issues, and dismiss the Government after consulting with the Council of the Republic.

He can also dissolve Parliament if it is in obvious discord with public sentiment, or if its composition does not ensure governmental stability.

The question now is whether the New Democracy Party, deprived of its charismatic leader, will be able to keep its cohesion and effectively deal with the problems facing the country.

It will also face mounting pressure from PASOK, whose anti-NATO and anti-U.S. stand helped to double its support to 25 per cent of the electorate in the 1977 elections.

The New Democracy Party's Parliamentary caucus is expected to elect a new leader this week. The choice is likely to be between Mr. Evangelos Averoff-Tossitsas, 70, Defence Minister, and Mr. George Rallis, 61, Foreign Affairs Minister.



Mr. Karamanlis

Mr. Averoff-Tossitsas first served as a Cabinet Minister in 1946 under Mr. Sofocles Venizelos, founder of the Liberal Party, but has come to be associated with New Democracy's right-wing.

He was Foreign Minister under Mr. Karamanlis from 1956 to 1963 and played an active role in the Resistance against the military junta which seized power in 1967.

In his present post as Defence Minister, Mr. Averoff-Tossitsas has been instrumental in consolidating democratic rule by effectively controlling the armed forces after the collapse of the seven-year Dictatorship in 1974.

He is also responsible for modernising the Greek military machine, and has had the delicate task of dealing with the problem of Greece's return to the military wing of NATO.

Despite his monarchist and right-wing past, Mr. Rallis is regarded as a moderate who could *attract* centrist votes to the party when a general election is next held.

The present Cabinet will remain as a caretaker Government under Mr. Karamanlis until the election of a new Prime Minister. The new Government is expected to be formed soon and seek a vote of confidence in Parliament later this month.

Mr. Papandreou said yesterday that the Parliament which elected Mr. Karamanlis to the Presidency "no longer correctly represented the will of the people."

He again called for general elections which, he said, would result in a Government better able to deal with the country's national, social and economic problems.

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Ohira fails to arrange Mexican oil deal

BY WILLIAM CHISLETT IN MEXICO CITY

JAPAN'S Prime Minister, Mr. Masayoshi Ohira, failed during his three-day visit to Mexico to get a firm commitment on increased oil supplies. Mexico will supply Japan this year with a maximum of 100,000 barrels a day, and Japan wants 300,000 b/d by 1982.

Mr. Ohira came to Mexico at a time when Japan is feeling the pinch because of a cut-off in its oil supplies from Iran.

Japan was hoping that in return for increasing investment in Mexico, PEMEX, the State oil monopoly, would be more forthcoming in raising its exports.

But, Mr. Ohira said, Sr. Jose Lopez Portillo, Mexico's President, had told him he could not promise further supplies above the already agreed 100,000 b/d.

The Mexican Government has consistently made it clear that its level of production—at present 2.1m b/d, with exports of about 800,000 b/d—will be levelled off at about 2.5m b/d, with exports of 1.1m b/d, all of which have been committed. For Japan to receive 300,000 b/d would mean either increasing production or cutting exports to another client

The two countries agreed to intensify their bilateral relations. Japan's trade surplus with Mexico in 1979 was $364m, and this year the surplus could be in Mexico's favour with the starting-up of oil supplies.

Total cumulative Japanese investment in Mexico at the end of 1979 was $362.3m—5.3 per cent of total foreign investment.

Japanese steel mills are completing feasibility studies for three projects connected with the second expansion stage of the State Sircartso steel mill on the Pacific coast.

Struggle against Israel in new phase, says Arafat

BY IHSAN HIJAZI IN BEIRUT

THE GUERRILLA attack on the West Bank town of Hebron on Friday constituted a new phase in the Palestinian struggle against Israel, Mr. Yassir Arafat, Palestine Liberation Organisation chairman, said.

"The operation in Hebron has dealt a severe blow to Israeli plans to set up Jewish settlements on Arab land," he told a Palestinian rally in Kuwait.

Mr. Arafat's own guerrilla group, Al-Fatah, has claimed responsibility for the raid on Hebron, in which five Jewish settlers were killed and 17 wounded.

Mr. Abu Jihad, Fatah's military commander, said here that "Israel understands only the language of bullets." Israel had completely ignored all UN resolutions

Israel's admission that the guerrillas who carried out the Hebron attack were local Arabs substantiated observers' speculations that the guerrillas have succeeded in setting up secret resistance cells inside the Israeli-occupied territory.

Mr. Arafat, whose speech was repeated by the PLO's news agency, Wafa, said he had issued instructions to Mr. Zehdi Terzi, the PLO's observer at the UN, to seek an emergency session of the Security Council to discuss the deportation to Lebanon of three West Bank leaders by the Israeli authorities.

Mr. Fahd Al-Qawasmah, Mayor of Helsron, Sheikh Rajals Al-Tamimi, and Mr. Mohammed Milhen, Mayor of Halhul, told a Press conference here on Saturday that the Israelis had seized them at their homes, put them on a helicopter and had taken them across the border into Lebanon.

Price rises help to boost total German trade 43%

BY LESLIE COLITT IN BERLIN

PRELIMINARY figures show that trade between the two Germanies rose 43 per cent in th efirst quarter of the year to some DM 2.7bn (£658m) with East German deliveries expanding 47 per cent and West German deliveries rising 37 per cent.

West German trade officials note that the extremely sharp growth io East German exports to DM 1.4bn is largely a result of the price rises for East German energy, mainly refined oil, sent to West Berlin. East Germany imports nearly 1m tonnes of crude oil annually fro mWest Germany and ships back double the amount in refined products.

The steep rise in West German exports to East Germany to DM 1.3bn is somewhat distorted, the experts say, because during the same period last year East German industry was stricken by severe winter weather which delayed imports of West German plant and equipment for projects.

West Germany's trade promotion office in Poland has, meanwhile, advised German companies that the outlook for exporting to Poland is favourable with the best opportunities said to lie in consumer goods, raw materials, energy and transport. These are the sectors where current Polish investments have not been cut back.

The report by the West German office notes that Poland plans to increase imports from the West by 5 pe rcent this year, about the same rate as last year. This will continue the trend of fewer turnkey plants being imported and more individual machines to modernise existing plant. Poland recently ordered DM500m worth of West German machine tool equipment. Compensation deals are said to be important for Polish buyers although the West German office notes the counter purchasers need not always come from the importing Polish foreign trade agency.

Export chances in Poland for West German companies, in particular smaller, medium-sized ones, are said to be greatly enhanced when financing is simultaneously provided. Western investments in Poland, mainly in the service sector, have not bad the desired results the office explained. They were restricted by limitations on ownership as well as financing problems. There are still no practical examples of the joint ventures which Poland has permitted since last year.

Change sought in export credit

BY DAVID MARSH

REPRESENTATIVES of the main industrialised countries will meet in Paris next week between May 12-14 to discuss modifying a four-year-old export credit agreement which its critics say allows governments to grant $8bn a year in disguised export subsidies.

A group of 21 member countries of the *Organisation* for Economic Co-operation and Development (OECD) agreed officially-supported export — in July, 1976, to set a series of minimum interest rates on officially-supported export credits. This was part of a bid to dampen ruinous competition in the provision of export credits by major governments, which had been increasingly trying to undercut each other's interest rate terms. But many countries in the group say it has led to a large increase in indirect subsidies on export credits because of sharp divergences since 1976 between the statutory interest rate minimums and market interest rates in *various currencies.*

The group will discuss a report drawn up by Mr. Axel Wallen, head of the Swedish Export Credit Guarantee Board, which recommends that the present system of uniform fixed interest rate minimums should be replaced by a more market-orientated arrangement.

Dr. Ernst Loeschner, director of international operations at Australia's export finance body, the Oesterreichische Kontrollbank, said in London last week that the agreement, as it stood, should be scrapped. It effectively penalised the low-inflation countries like Austria with low interest rates.

This was because it enabled higher-inflation countries to grant export credits at subsidised interest rates well below those on their domestic capital markets.

Unless the system was changed, the subsidy element in export credits granted by OECD countries would rise to around $3bn this year from $2bn over the past two years. The country to have taken most advantage of this was France, but the subsidy element on U.S. export credits was also rising because of the sharp increase in U.S. interest rates.

Alia taps Amman market for $30m loan

By Rami G. Khouri in Amman

ALIA AIRLINES of Jordan has tapped the highly liquid Amman market for a $30m syndicated loan that also breaks new ground in the growing local trend towards more syndicated loans.

The loan is for 9m dinars ($13.1m), guaranteed by the Government of Jordan and repayable in 11 years, including three years for drawdown and two years grace.

It is being used to finance part of a $400m package for five Lockheed TriStars and one Boeing 747. The interest rate is an annual 8.5 per cent, with 0.75 per cent commission, making for an effective annual interest rate of 9.25 per cent. This is the largest and longest syndicated loan ever put together in Jordan, reflecting, as do the exceptionally advantageous terms, the new willingness of local banks to commit themselves for more than 10 years, and the perceived creditworthiness of the State-owned airline itself.

Arab Bank is the lead manager and agent for the loan, and is providing 2m dinars. The four managers, each putting up 1.5m dinars, are Citibank, Chase Manhattan, British Bank of the Middle East and the semi-State Housing Bank of Jordan. The three other local participants in the syndicate are the Bank of Jordan, the Jordan National Bank and the Jordan-Gulf Bank.

● Japan's All Nippon Airways has ordered six more 747s for about $360m, which will raise the carrier's 747 fleet to 13, Reuter reports from Seattle. The new aeroplanes, all of them short-range SR models, will be delivered between May and December, 1980, and in February and March, 1981.

U.S., Japan lead 'too big'

BY GUY DE JONQUIERES IN MONTE CARLO

SHARPLY contrasting views about Europe's role and prospects in the world micro-electronics market were expressed by speakers on the first day of the World Electronics Conference in Monte Carlo yesterday, organised by the Financial Times and Macintosh International.

Doctor Robert R. Heikes, international vice-president of National Semi-Conductor of the U.S., argued that the U.S. and Japan had such a big lead in semi-conductor manufacturing that it was too late for most European countries and companies to enter the business.

But, Dr. Friedrich Baur, executive vice-president of Siemens of West Germany, forecast a period of rapid growth in Europe's semi-conductor industry, during which the technological and commercial lead of the U.S. would be further eroded.

Ultimately, be suggested, the boundaries between the American and European micro-electronics industries might disappear, to be replaced by world enterprises manufacturing world products to world standards.

Dr. Heikes said that many European concerns proposing to enter the business of semi-conductor manufacturing, seriously underestimated the huge investment in research, development and plant that would be needed to penetrate the market and create a profitable operation.

The economics of the industry dictated that only companies whose internal demand for electronic components amounted to at least $100m (£44m) a year, should consider making their own micro chips. That restricted the field to companies with annual sales of more than $2bn.

Some countries were seeking mistakenly and out of a sense of "near paranoia" to create their own semi-conductor industries from scratch. He was particularly pessimistic about the outlook for Inmos, the UK State-backed organisation set up to produce very large-scale integrated (VLSI) circuits.

"It appears to me that the likelihood of forming a profitable venture in VLSI circuits is very small. It is simply too late in the day to start a new company from scratch unless they have a very significant innovation up their sleeve," be said.

A more sensible strategy for newcomers to the micro-electronics market was to concentrate on designing software —the programme and instructions reqgired to make electronic components function—while leaving production of the basic circuits to manufacturers who bad already established themselves.

He pointed out that the market for this type of expertise was expanding rapidly, because the trend in the micro-electronics industry was increasingly towards incorporating individual components and devices into complete systems. This process requires mucb work on the development of software.

While agreeing that this trend was under way, Dr. Baur argued that the European semi-conductor industry was enjoying a resurgence. After being overshadowed by the U.S. for many years, Europe had started in 1970 to develop strategies which bad enabled it to become an initiator rather than a follower in the micro-electronics field.

Production would grow faster in Europe than in the U.S. during the next decade, he forecast.

Moreover, as it became increasingly important to incorporate disparate components into complete systems, European semi-conductor producers would be at an advantage because they were mostly part of bigger groups, which also embraced manufacturers of products using such systems, while U.S. companies usually produced only semi-conductors, which they sold on the open market.

Europe's future success in micro-electronics would depend in part, on continued Government support.

Mrs. Marisa Cantoni Bellisario, president of Olivetti of Italy, said that the key to selling electronics office products successfully in the U.S. lay more in establishing strong marketing and sales support operations than in offering products embodying highly advanced technology.

American customers insisted that products met advertised specifications and were reliable. Office machinery waa used twice as many bours per day in the U.S. as in Enrope, and it was important to respond promptly to customer demands for service and information.

American customers judged competing products on their merits and were less loyal to suppliers than were European purchasers, she said.

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Zimbabwe 'orientation' appeal

BY TONY HAWKINS IN SALISBURY

OPENING Zimbabwe's trade fair in Bulawayo, Prime Minister Robert Mugabe yesterday called for the Zimbabwe "orientation" of foreign investment. Majority sbareholdings must remain in Zimbabwe, the Premier said, and profits must be reinvested there. No state could regard itself as truly independent, be said, until it bad achieved economic self-reliance. Sound politics, he added, must be based on sound economics.

Meanwhile, an official for Wankie Colliery said that the strike which started at the weekend bad worsened with an unspecified number of workers at Number One colliery joining the 3,250 men already out on strike.

Wankie said that unless the strikers, who are demanding what management *calls* "unreasonable" pay rises, promptly return to work they will be paid off.

The Wankie strike follows close on the beels of a major stoppage at the Anglo-American Corporation's Hippo Valley Estates where sugar cane workers downed tools at the weekend. At one *point some* 9,000 workers were on strike, but the men returned to work yesterday after intervention by the Minister of Labour, Mr. Kangai.

The management will be meeting workers' representatives to discuss *grievances*, but work started today on milling the estates' 1980 sugar crop.

There has ben a rash of industrial stoppages in Zimbabwe following Mr. Mugabe's election victory two months ago. The Government is reportedly about to announce improved minimum wages in an effort to bead off *worker* disputes.

Parkinson's call to card makers

BY OUR WORLD TRADE STAFF

BRITISH Christmas card printers are being nrged to speed np preparation of evidence in support of claims that they are being hurt by cheap Soviet imports. Prompt action is required before an appeal to the European Commission for anti-dumping action can be made, the Department of Trade said.

Mr. Cecil Parkinson, the Trade Minister, has raised the *long-simmering* issue again in a letter at the weekend to Mr. S. A. Henderson, the commercial director of the British Printing Industries Federation.

While the Government has been closely following the matter since the issue arose last summer, be said in his letter it *had* hoped for more progress than has yet been made in preparation of evidence reinforcing the Printing Federation's claims.

He *called* for a *further* meeting between Federation officials involved in the issue and the Trade Department's anti-dumping unit in order to hasten action in time to affect the 1980 Christmas season.

The Christmas card issue grew particularly beated last December when it was found that perhaps as many as 50m cards printed in the Soviet Union had entered the UK and were selling for prices as little as 15p *fo* rten cards.

Pye wins £2¼m Sweden TV deal

BY OUR WORLD TRADE STAFF

PYE TVT *of* Cambridge bas won a £2¼m order from the Swedish Telecommunications Administration (STA) to provide television transmitters to the *Swedish* National *Radio* and Television Transmission networks.

Pye said that the STA had taken up an option for a total of 24 transmitters, whicb is part of a major Swedisb re-equipment and expansion *programme, first begun in 1978* with 22 transmitter units in the first of Pye's large Swedish contracts.

Delivery is to start this spring and will contiue until June, 1981. The equipment ordered includes 14 VHF *transmitters and 10 UHF* transmitters.

The order was one of several *overseas* deals won by UK companies recently. Among the others were:

● T.K. Valves of Dunfermline, a £3m contract to supply 2,000 wellbead valves and *automatic* equipment *for 50 offshore* oil platforms in Abu Dhabi. The company said it is boping to win another £1.4m contract to supply similar equipment to a *further 20 platforms in* the Arabian Gulf;

● Perkins Engines of Peterborough, a £700,000 contract to supply vehicle diesel engines to Premier Automobiles of Bombay, India. The engines are Perkins six-cylinder vehicle units, to *be* installed in Indian-built Premier Roadmaster trucks. A factor in winning the contract was Perkin's broadly-based international after-sales and servicing network, the *company said.*

● Mideast Numerical Control of Wales, a £500,000 contract from the Boeing Vertol company of the U.S., to supply machined airframe parts for the new Boeing 757 airliner, of whicb British Airways is a customer.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (U.S.$m)

	Feb. '80	Jan. '80	Dec. '79	Feb. '79
U.K.	18,866	18,853	18,580	16,033
U.S.	4,545	4,668	3,779	4,956
W. Germany	43,780	46,222	47,348	38,463
Italy	17,788	18,538	17,259	11,402
Holland	8,062	7,239	6,469	4,132
Belgium	3,208	4,078	4,097	2,663
Japan	16,667	16,849	16,357	28,423
France	18,343	17,818	16,100	8,993

SHIPPING REPORT

Oil tanker charters decline

By Lynton McLain

DEMAND for chatering crude oil tankers *fell slightly* last week. However, rates generally remained at the levels of the previous week and brokers atributed the fall to the May Day holiday rather *than* pessimism among charterers about events in the Gulf.

World stocks of crudo oil remain high and this contributed to the "*calm*" *atmosphere* in the charter sector last week, as there was no feverish bid to secure oil supplies. Some tanker owners were reported to have laid up more vessels and other ships remained idle.

Trading was limited in the Middle East, and rates in the area moved down slightly. A 320,000 ton vessel re-let from another cbarter, gained business at Worldscale 27½ and West German charterers were reported to have chartered a very large crude carrier at aronud Windscale 32.

Of the smaller vessels, a 82,000 ton ship gained Worldscale 75 for a voyage to the West, and a voyage to Mombasa for a major London oil compny gined rate of Worldscale 95 for a 68,000 ton vessel.

The earlier improvement in the charter rates in the Mediteranean deteriorated last week. Rates were very close to rock-bottom levels, according to John I. Jacobs and Co., London brokers.

A *total* of 60 tankers and combined carriers totalling nearly 9.3m tons were reported laid up or idle at the end of April, compared with 50 vessels totalling 7.6m tons at the end of March.

Howard Holder Chartering said at the end of last week that a total of 93 tankers, oil bulk/oil and ore/oil carriers and ore and dry bulk carriers were laid up, idle or under repair at May 1, totalled 10.35m tons.

In the dry-cargo markets the sudden increase in transatlantic grain rates in mid-April was caused b ya localised shortage of suitable size vessels able to load last month, according to Matheson Chartering in its report for last month.

This reflected the nnderlying strength of al dry-cargo markets at present and, even if the overall volume of inquiry does *fall* over the mid-summer, it will take time for any serious weakness in rates to develop, the company said.

Milk may face fair trading inquiry

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE OFFICE of Fair Trading is considering investigating milk retail supply and prices under new laws to promote business competition. As a result, milk might become available in supermarkets at np to 3p a pint cheaper than milk delivered to doorsteps.

However, milk producers bave given a warning that moves to make milk cheaper in supermarkets might put an end to daily doorstep deliveries.

Milk prices rose by 22 per cent in the past year, adding 0.5 per cent to the rise in the retail price index. Milk accounts for 10 per cent of the average family's weekly food bill.

According to a survey by the Cnosumer Association this year, UK milk is the most expensive in Europe. In France, for example, the price is 14p a pint, compared with 16½p in the UK.

A decision on the investigation is not expected for several weeks, as the Office of Fair Trading is understood to be considering alternative methods of investigation. It might refer the whole issue to the Monopolies and Mergers Commission fo ra full monopoly investigation, likely to take three years, or for a six-month probe under the new Competition Act.

The Act, which became law at the beginning of last month, applies to agricultural marketing boards, among nther bodies.

The OFT might therefore refer either particular practices by the Milk Marketing Board or individnal dairies to the Commission for investigation.

In either case, the main issue will be the supply of milk to supermarkets and the price that they may charge. Under the present complicated system of milk costings, milk sold in supermarkets is often 1p dearer that that delivered to the doorstep.

Supermarket chains say that, in effect, the shop price is subsidising the cost of home delivery. They point nut that the milk consumer who wants to buy from a shop should be ahle to do so more cheaply than when paying for doorstep delivery.

Supermarkets also say that dairies will not supply them with milk at a price that would undercut the delivered price. Tesco, for example, has had a number of small dairies express willingness to supply, if allowed to, more cheaply. The company will point that out to the OFT this month.

The dairy industry maintains thta cheaper milk in supermarkets would make it uneconomic to deliver to doorsteps, especially if the overall in milk sales continues.

The Consumers' Association, bowever, says: "Consumers value the convenience of having fresb milk delivered and we would doubt whether many would forgo this convenience for the sake of saving a few pence per pint."

It adds that in Scotland, for historical reasons, supermarkets sell milk more cheaply and bave about balf the retail market. But it says that a doorstep delivery system baa developed in parallel with the sale of milk through supermarkets.

"In England an dWales, consumers do not bave the choice between price and convenience, and the true cost of the delivery system is concealed from them."

Laird paid £3.75m compensation for Scottish Aviation

BY ARNOLD KRANSDORFF

THE LAIRD Group has reached agreement with the Government for £3.75m compensation in full settlement of its claim for Scottish Aviation, the wholly-owned subsidiary nationalise more than three years ago.

The agreement comes nearly a year after Laird threatened to take the matter to arbitration.

Payments totalling £2.1m have already been received and Laird says the remaining £1.65m will be paid soon.

Mr. John Gardiner, Laird's chief executive, said the settlement was much in line with the group's original estimate. Scottish Aviation's book value is £1.95m.

"At the end nf the day the settlement was fair and equitable, if late," he said.

Laird still has an outstanding claim for its 50 per cent share in Cammell Laird Shipbuilders, also nationalised in 1977. So far £400,000 bas been paid. The book value is £1.5m.

Mr. Gardiner said this claim was proceeding towards arbitration, probably by early next year—"unless we can settle before."

He did not think the Government was deliberately stalling. The claim had been delayed by a legal dispute—now settled—concerning Government aid to Cammell over the relevant period of nationalisation.

Mr. Gardiner coofirmed that Laird has made a conditional nffer for the Martlett group in Dunbee-Combex-Marx, which was placed in receivership earlier this year.

He declined to give details, but said: "Up to now, the conditions bave not been met."

Martlett comprises three companies, whose activities inclnde plastics, and plant hire and wholesaling, including a DIY operation

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Loan plan for small businesses

LOANS at fixed rates to buy machinery or extend premises are available to small businesses under a scheme—the Business Borrowing Plan—announced by Williams and Glyn's Bank.

The fixed rate loans are available from £10,000 to £50,000 with repayments over five years or less. Loans larger than £50,000 or spread over more than five years will be linked to the bank's base rate.

Haulage industry 'priced into period of decline'

BY LYNTON McLAIN

BRITAIN'S ROAD hauliers are experiencing the toughest trading conditions since 1975, which is geoerally accepted as the worst year on record.

Demand for lnrry transport has slumped sharply since Christmas; hauliers have been fnrced to lay up or consider laying up lorries for wbicb there is no commercial work and haulage rates at best only marginally cover operating costs.

Mr. John Silbermann, the cbairman of the Road Haulage Association which represents 15,000 haulage companies, operating 200,000 vehicles, said at the weekeod that "These factors, and wage settlements in line with inflation, had forced the haulage industry into a period of 'traumatic economic decline'."

He told the association's western area dinner at Bristol that the industry bad borne "substantial increases in costs without commensurate increases in income or volume of business."

The economic problems now facing the industry would force companies to bring to an end "automatic uplifts in pay unless they are earned." The search for higher productivity from lorry drivers was now set to become an issue of tbe next pay round if haulage companies are to remain viable and competitive.

Total operating costs for hauliers had risen by between 12 per cent and 15 per ceot since January. The slump in demand, which was forcing hauliers to accept traffic at non-economic rates, had cut profit margins by an estimated 2 per cent to 3 per cent.

Customers were showiog increasing resistance to higher rates needed to cover higber costs. This was because of an unwillingness tn contribute to the 20 per cent rise in haullers' wage bills which followed tbe last pay round, and because of the industry's insistence last year on passing on all fuel increases. The customers' own profitability was also being squeezed by the slump in demand for goods.

The 13-week steel strike which started in January added to the competitive presaures on haulage companies aa lorries that normally served the steel industry looked for other work in the already highly competitive general haulage market. This further depressed rates in the entire haulage sector.

The total capacity of Britain's road haulage industry to carry the nation's goods increased laat year after a boom in demand for commercial vehicles. This was partly explained by a delay in the replacement of vebiclea in previous years. The total size of the UK haulage fleet increased from about 490,000 vehicles at the end of 197S to an estimated 500,000 vehicles at the end of last year.

Many older vehicles were replaced by larger capacity trucks and a large number were bought by companies running their own haulage operations. This development may have been stimulated by the strike of drivers employed by RHA members io January last year.

Many companies have also turned to contract hire—one of the few growth sectors now increasing at between 5 and 10 per cent a year—as a way of easing their own cash problems.

These factors bave distorted further the market for the public haulage companies and many are expected either to cease trading or to amalgamate as the effects of the recession begin to bite. Leading hauliers are convinced that the problems will worsen, with bankruptcies coming through in the winter.

The poor state of the market is certain to influence Government plans to sell a majority share io a new company to be formed from the state-owned National Freight Corporation. Tbe Government does not intend to amend these plans—now in the Transport Bill—but the sbare sale is nnlikely to proceed before the market picks up.

North Sea oil gains estimate 'may be £3½bn too low'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

GOVERNMENT estimates of North Sea oil revenue in the mid-1980s may be £3½bn too low, say the stockbrokers Phillips and Drew.

The brokers estimate that in 1983-84 the total will be £8½bn at 1978-79 prices about £15bn in prices ruling at the time. The Treasury estimate of total Government oil revenues was £4½bn in 1983-84, at 1978-79 prices.

This discrepancy was mentioned in last Friday's report from the Treasury and Civil Service Committee of the Commons, to which Dr. Paul Neild of Phillips and Drew is an adviser.

In the firm's economic forecasts it is stated that this gap is crucial for credibility of the medium-term financial strategy because, the brokers believe, the Treasury has underestimated public spending and overestimated non-oil revenue.

If the official oil projections are correct there will be no scope for reflation.

The Treasury has refused to publish all the assumptions underlying its oil projections, though Phillips and Drew suggest that the Government may assume a lower oil production profile than most outside forecasters.

The brokers assume that dollar oil prices will remain the same in real (inflation-adjusted) terms, that oil production rises from 85m to 90m tonnes this year, to 135m to 140m tonnes in 1983-84, and that the exchange rate declines from $2.15 in 1980-81 to $1.78 in 1983-84.

Since the Treasury has said it assumes an unchanged dollar oil price in real terms, some of the gap could be explained by the Treasury assumptions of a higher exchange rate. But the brokers believe that a large part of the gap reflects a possible Treasury assumption of oil production at only 110m tonnes a year in 1983-84.

The Government's short-term Budget arithmetic is challenged in a review from the brokers James Capel. This maintains that public-sector borrowing in 1980-81 is likely to be about £10½bn compared with the £8.5bn projection in the March Budget.

James Capel highlights the impact of the pay comparability awards of the Clegg Commission and the high underlying rate of inflation. These, it says, will cause a significant breach of cash limits unless further measures are taken by the authorities to cut the volume of public expenditure substantially.

The Government "would have to introduce a further Budget later this year taking about £1½bn out of the economy, after allowing for an assumed £800m cut in the UK Common Market contribution if borrowing is to be held down to the £8½bn target.

End fixed-price tenders, say master builders

BY ELAINE WILLIAMS

A CALL to public authorities to end fixed-price tendering has been made by the Federation of Master Builders.

The Federation said that increases in material and labour costs meant that fixed price contracts were now "a dangerous gamble for builders." It warned its members to be wary of entering into such contracts.

Mr. Bill Hilton, the federation's national director, said: "In the past 12 months essential materials such as bricks and cement have outstripped the general index of retail prices. Brick prices have, on average, risen by 27 per cent, and cement has risen 50 per cent during the year."

Any builder who foresaw such prices in a tender last year would not have won the contract because his bid would have appeared too high. But those who did win work with estimates that prices would rise by about 20 per cent were now suffering as a result.

Labour costs in certain areas had also risen highe rthan forecast. Th ebuilder had to apy the extra to meet the deadlines for the job.

"It was unfair that builders had to estimate how prices were likely to rise in the next 12 months when manufacturers and suppliers could increase charges as required. He would "pursue this argument with the Department of the Environment."

Furniture sales expected to drop 5% this year

BY OUR CONSUMER AFFAIRS CORRESPONDENT

A 5 PER CENT fall in furniture sales this year is forecast in a survey of the urniture industry published today.

Jordan Surveys says the industry's order book has been declining since last autumn. Total sales were £1.1bn last year.

The decline has already led to some short-time working at Christie Tyler, the largest company in the industry.

In 1978 deliveries to the shops were up by 10 per cent and by 4 per cent last year.

The slump is in line with the retail sector's general problems. But furniture is traditionally earliest hit in a recession.

"Most companies are already reporting much more difficult trading conditions, with price increases becoming harder to obtain and costs continuing to rise, although the strength of sterling has at least helped to restrain pressures from higher raw material costs," says Jordans.

"British furniture manufacturers and wholesalers, published by Jordans Surveys, Brunswick Place, London, N1, price £65.

Talbot will spend £2m to introduce Solara

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

TALBOT UK will spend £1.5m to £2m to introduce its new Solara saloon and to establish the Talbot name with the British public.

The Solar should help Talbot build its market share to 8½ to 9 per cent this year, according to Mr. Filmer Paradise, assistant managing director. This compares with just under 7 per cent in 1979.

The Solara, a front-wheel-drive saloon, goes on sale next Tuesday. It is aimed at the biggest segment of the new car market, accounting for about one-third or roughly 500,000 a year, which is dominated by the Ford Cortina. Other rivals include the Vauxhall Cavalier and BL Marina.

Mr. Paradise says he will be pleased if Solara captures a 2½ per cent market share in its first full year on sale.

Some 6,000 Solaras are with Talbot's 650 dealers—"the first time we have had enough cars for a proper launch," according to Mr. Paradise.

The car will spearhead Talbot's attack on the fleet, or company, car market. This probably accounts for seven of 10 new car purchases in the UK.

Mr. Paradise suggests that fleet managers will have to re-think their purchasing policies soon. Their favourite car, the Cortina, will be replaced in 18 months to two years by a front-wheel-drive vehicle code-named Toni.

Talbot dealers have been somewhat taken aback by Mr. Paradise's tough approach since he joined the company last summer at the request of Mr. George Turnbull, the chairman. He is an old friend from the days when they both workad with British Motor Corporation.

"It is true they think the new management is rather tough, but they also believe it might succeed," Mr. Paradise said. "We must go step by step to rebuild this company and the dealers must come along with us."

Talbot's 23 dealerships are up for sale, although they account for 17 per cent of its car sales and 14 per cent of truck deliveries. "We don't believe manufacturers belong in retailing."

The outlets are being offered in packages of four or five and some deals are close to completion, according to Mr. Paradise.

He wants to balance the preponderance of small, family-owned dealerships, which have the Talbot franchise, with more publicly-quoted companies with larger capital bases. The outlets are being ocered to the bigger companies.

Mr. Paradise says the British factories will not just become assembly points for French-built car kits. UK content of the Solara is 65 per cent by value, compared with 60 per cent for the Alpine from which it is derived.

"The UK content should improve on our cars and, if we remain competitive, there is no reason why we should not open the way for Peugeot-Citroen in France to purchase more components from Britain."

British Caledonian to offer £100 single fare to Hong Kong

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN will offer a cheap rate of £100 single between London and Hong Kong when it starts flying the route on August 1—the cheapest fare yet offered on the route.

This will be part of a series of fares ranging up to £1,075 single first-class, slightly cheaper than existing first class rates.

Other examples of the airline's proposed fares include a new economy class rate of £415 single, with no restrictions of any kind, and an executive class single of £553 which matches the existing rate.

The £100 single will be an "eleventh hour stand-by" fare, available for those willing to turn up and take a chance on a seat at the last moment.

Mr. Alastair Pugh, managing director, said the fares reflected fuel price increases since last December, but such increases had been kept to a minimum.

● Results of a recent study by TAP Air Portugal are expected to show that a twice-weekly service between Manchester and Lisbon would be a viable marketing proposition.

The study's recommendations are expected to be implemented by April 1981. The service would connect with on-going flights to Faro and Air Portugal's long haul destinations in South America and South Africa.

● British Airways shuttle has set new passenger-carrying records on the Manchester-London Heathrow route in its first six months of operation.

A total of 240,000 have flown on the service, an increase of 31 per cent on the same period a year earlier. British Airways said yesterday that 90 per cent of flights had left within 15 minutes of scheduled departure time.

The airline will make four flights weekly each way, using wide-bodied DC-10 jets.

HEREFORD PLANT POINTS TO NEW APPROACH

Heat-plus-power switch

BY LORNE BARLING

BRITAIN'S cautious approach to combined heat and power (CHP) stations, often criticised by the environmental lobby, may undergo a fundamental change following the successful installation of a plant at Hereford.

The conservative attitude of the electricity supply industry was summed up last week, at the opening of the £5m plant by Mr. Geoffrey Shepherd, chairman of the Midlands Electricity Board.

He said: "In the past, a degree of over-statement of the potential benefits of CHP may have tended to discredit some of the real arguments in its favour. The Hereford scheme has overcome the traditional drawbacks of CHP schemes as a result of a radical reappraisal of the basic principles."

Although no one is expecting a proliferation of small diesel engine stations using cheap residual oil, such as that at Hereford, it is clear that where the right conditions can be found for industrial use of heat, they can be highly efficient.

The key to that efficiency at Hereford is two companies, Sun Valley Poultry, and HP Bulmer, cider makers, which require large volumes of heat in the form of steam for their nearby manufacturing plants. Out of about 20 possible sites for the station, Hereford offers optimum conditions.

In effect, the station was tailored to the heat requirements of the two companies with the base loa dprnvided by engine exhaust gases and peak or standby requirements by standard industrial boilers integrated into the system.

Heat is sold to Bulmer and Sun Valley on a simple commercial basis—with long-term guarantees on both sides—more cheaply than they could generate it themselves. More important, the deal means that the Midlands Electricity Board is bearing the capital cost of new heating capacity which the companies would otherwise have had to provide in the long term.

Although one other station of this kind is under consideration, a considerably larger one at Fort Dunlop, in Birmingham, the board is unwilling to bear these large capital costs for a series of such power stations.

It is, therefore, likely that participating companies will be invited to invest directly in such projects, creating a new form of private involvement in a state industry which will no doubt be encouraged by the Government.

Until recently, the Government's attitude has been hardly encouraging. Under the Electricity Act of 1947 area boards have been obliged to actively seek sites where waste heat could be sold, and yet the Herefrod is the first of its kind.

A report by Dr. Walter Marshall, and his CHP Group is now with Mr. David Howell, Energy Secretary, who opened the Hereford station last week. He said that despite the report's emphasis on waste heat's use for district heating, there was as much acope for worthwbile industrial schemes.

Although such schemes had to be treated on merit—and within local planning constraints—he said anything which offered significant energy savings would be given careful consideration by his department.

Under optimum conditions the advantages of CHP systems, are now worthwhile. The capital cost of the Hereford project per kilowatt of electricity produced and ignoring heat, compares favourably with that of a large conventional power station.

The thermal efficiency of the station powered by two 10,400 hp Crossley-Pielstick diesel engines is nearly 80 per cent or about two and a half times that of a modern conventional station. The fuel used is a tar-like residue from petrochemical processes.

Aside from saving the import of around 15,500 tonnes of foreign oil a year, at a cost of £1.5m, the plant generates electricity where it is needed avoiding the 8 to 10 per cent transmission and distribution losses normally experienced.

Environmental benefits in Hereford are also significant, since the fuel will be delivered by rail (in specially heated tankers, to prevent the oil from solidifying) avoiding the use of heavy road tankers.

The two companies involved will now be able to remove their existing heating plants, providing additional space, and also benefit from the disappearance of those tankers from thair busy yards. Future expansion can now be achieved without expenditure on additional heat suppliea.

However, it is clear that despite the advantages, CHP still has severe limitations most notably the need for factories to be very near to the power source. They must also have a very substantial heat requirement with a high annual load factor.

These ideal conditions are likely to exist in relatively few cases, although company participation in the capital cost of such schemes could lead to the siting of factories in close proximity to the new statioos.

As energy costs become a major concern of industry, companies are becoming more willing to consider radical answers to their problems, and the electricity supply industry is now encouraging them in that direction.

Callaghan condemns Thatcher 'disaster'

BY PHILIP RAWSTORNE

MR. JAMES Callaghan, Labour's leader, yesterday condemned Mrs. Margaret Thatcher's first year as Prime Minister as "an outright disaster."

Mr. Denis Healey, Labour's shadow Chancellor, predicted that she would have to "change course or be thrown nut" next winter as bankruptcies and unemployment rose to record levels.

Mr. Callaghan, speaking at Carlisle, said neither Mrs. Thatcher's style of Government nor her policies commanded respect or confidence.

"Her promises have been broken, especially the clear undertaking to reduce laxation. The truth is that the average family is paying more in taxation and not less," he said.

Unemployment had risen, manufacturing output had declined and inflation had doubled. "No wonder reports are coming from Labour Parties up and down the country of a great revival."

Mr. Callaghan said the Government would have to change its policies or make way for a Labour Government committed to restoring full employment and encouraging industrial investment and expansion.

Mr. Healey, at Southport, said business this year would be plunged into "the most dangerous cash crisis since the war."

"Bankruptcies are already rising. They will break all bounds next winter. Small firms will suffer first and worst," he declared. "We will be back to the 30s with a vengeance."

Mrs. Thatcher in a weekend BBC radio interview, confidently claimed to have brought about a change that meant that Britain again counted for something in the world.

People abroad realised that Britain was "going places" both in its foreign and domestic policies.

"It is good now to be British and that is a tremendous achievement," sbe declared.

Asked what she thought might have been her biggest mistake, Mrs. Thatcher said she thought it would have been better if public expenditure had been cut faster and more firmly. "We could then have got interest rates down faster," she said.

Publishers face two tough years

By Elaine Williams

THE PRINT and publishing industry faces two difficult years.

This forecast is made by Cambridge Econometrics in a report out today. Book publishing will be worst hit and newspapers least affected.

Overall growth of the industry to the mid-1980s will be 3 per cent, although demand is expected to fall by 4.9 per cent this year and 1 per cent in 1981, before increasing by 0.4 per cent in 1982.

Cambridge Econometrics blames the poor outlook on the strength of sterling in relation to domestic costs. It says import penetration is likely to increase and exports fall sharply in the next few years.

Medium-term prospects are better. Between 1983 and 1986 demand will grow at an average 3.1 per cent.

Prodnctivity is expected to improve rapidly in the next six years. Cambridge Econometrics says employment will contract by 12.6 per cent, renresenting 67,000 workers, between 1980 and 1986.

Over the same period, average earnings will grow by 11 per cent a year and unit labonr costs by an annual 5.8 per cent.

But a "faster rate of wage inflation, or slower prodnctivity growth would add substantially to the pressure on the industry resulting from overseas competition."

Scotch exports 4 per cent. down

BY GARETH GRIFFITHS

SCOTCH WHISKY exports fell by 4 per cent in quantity last year compared with tha 1978 total although the value of exports rose 7 per cent from £661m to £707m.

The main fall occurred in the U.S., the industry's most important market. Whsky exports fell by 8 per cent in quantity to 33,154,7164 proof gallons.

The value of exports also fell from £197,379,542 to £192,136,336, a fall of 1 per cent.

The main reason appears to bb that Scotch bas not conquered the younger drinking market.

The Scotch Whisky Association, in its annual statistical report published last week, notes some spectacular rises. Sales to Anogla and North Korea hoth rose by 999 per cent over the year albeit from an extremely small base.

Monopoly

The amount of Scotch whisky per year released from bond for shome unse more than doubled in the 1970s. The 1970 figure of 9,565,000 proof gallons compares with last year's lotal of 20,378,000 proof gallons. Exports in tbe same period showed a slightly slower rate of growth although their value trebeled.

British brewers, who have a virtual monopoly of the home market, face the possibility of increased foreign competition.

The berewing industry has said with pride. that imoorted beers only have a 4 per cent market share.

The industry is convinced that costs of moving beer from abroad would be too high for foreign competitors.

Stockbrokers Panmure Gordon and Co., in their balf-yearly review of the industry, discount the claims over a guaranteed market share.

The report rules ou the transport argument as a central defence and instead. it highlights long-term decline io the control of public buoses and clubs by the breweries.

Aggressive

During the 1970s lager boom the control exercised by brewers over dring retailing was sufficient to ensure that their new lager brands were strongly amrketed through brewers' tied estates.

Tbe rising share of drink retailing outlets now held by independent clubs, free houses and supermarkets, more concerned with aggressive pricing and building up different sources of supply, radically alters the industry's basic position.

They are therefore likely in the long-term to be more susceptible to foreign supplies and competition.

The report says that despite the long-term decline in the number of controlled public houses, the brewing companies have a virtual monopoly in obtaining licencea for new public huoses on bousing estates or on city centre redevolpments.

News International pays £91,500 to ex-director

BY ARNOLD KRANSDORFF

MR. RUPERT MURDOCH'S News International, publisher of The Sun and News of the World, has paid £91,500 compensation to a former director for loss of office. The figure is disclosed in the group's report and accounts for 1979.

The director is not identified but the only Board member to resign during the year was Mr. H. C. Hardy, the group's chief executive and managing director.

Mr. Hardy, who is 50, was appointed News International's managing director in 1976 and chief executive in 1977. He was a former advertisement director of tbe News of the World.

Mr. Hardy haa been succeeded by Mr. G. P. Welsb as managing director.

Engineering output likely to fall 10% next year

FINANCIAL TIMES REPORTER

THE OUTPUT of the mechanical engineering industry is likel yto fall between 10 and 20 per cent in 1981 according to the latest report published today by the Engineering Employers Federation.

The federation says the forecast is gloomier than its 1980 predeition because of worsening inflation and high interest rates.

"Such a prospect must lead to a fall in productivity or employment in the industry," the report warns.

The mechanical engineering industry is becoming less competitive compared with its main rivals in the U.S., West Germany and Japan, so inhibiting exports. The report says the deterioration since 1968 has been 46 per cent against Japan, 16 per cent against West Germany and 9 per cent compared with the U.S.

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New look for Guernsey post

GUERNSEY'S Post Office, which become independent of the British Post Office in 1969, is changing the colour of its letter-boxes from red to blue and introducing a new logo incorporating the island's coat of arms in an effort to establish its separate identity more clearly.

The new logs will be displayed for the first time at the 1980 London Stamp Exhibition, which opens on Tuesday.

Lucas to extend Burnley factory

LUCAS AEROSPACE is to spend £4m developing its manufacturing facilities at Burnley, to meet record orders of about £300m.

The company has bought an additional 100,000 sq ft factory in Burnley and late last year took on an extra 200 workers. Lucas now employs 2,600 in the area, and this is expected to increase slowly.

City's power waining says Bank adviser

BY MICHAEL LAFFERTY

SIR HENRY BENSON, industrial adviser to the Governor of the Bank of England and a prominent City accountant, believes that the power and prestige of the City of London will decline in the next 20 years.

He thinks that the general trend of inflation will be upward and that unemployment "will remain at an unacceptably high level."

Another leading City accountant forecasts the end of self-regulation in the City in tha aame period.

Sir Henry bases his prediction on the belief that Britain's industrial decline will not be haltad in that time.

Writing in the centenary issue of Accountancy, journal of tha English Institute of Chartered Accountants, he says that the banking, insurance, investment and other financial aervices on which the City is based depend primarily on buoyancy of industry.

It would be a long time before "these policies" were seen to be so damaging that a turnround in national attitude took place, "and it is realised that Government, management, unions and citizens themselves bave a common purpose.

"Tha power and prestige of the City will therefore decline, saved in part only by a fortuitons increase in our revenue from oil."

Sir Henry's pessimism does not include bis own profession fo accountancy. He forecasts tbat self-regulation will keep tbe British among the leaders in the professions nationally and iternationally.

Integration of the various professional accounting bodies "will be inevitable" before the decade is out.

His views on self-regulation are sbarply at variance with those of Mr. Tom Watts, chairman of the profession's Accounting Standards Committee.

Mr. Watts' predictions are particularly interesting since he bas been actively engaged for the year year in an effort to develop a self-regulatory supervisory hody capable of enforcing accounting standards on quoted companies.

It now appears that some form of body modelled on the City's Take-over Panel, and involving representatives of the accountancy profession and the Stock Exchange, among nthers, will be proposed later this year.

Inventions win prizes of £40,000

AN ELECTRONIC car-lock and a new type of tropical fish tank are innovations which have won a total of £40,000 and free factory space as prizes in a new enterprise competition organised by Liverpool Development Agency.

The development agency, a Liverpool City Council body, launched the enterprise competition in conjunction with Merseyside Chamber of Commerce to find the innovation, oinvention or process most capable of being used in the Liverpool area.

A main consideration was potential for creating employment.

The two winning entries, expected to start operating soon, will create an estimated 28 jobs immediately, with a forecast of 65 in three years.

There were 310 entries. The winners were Mr. John Baker, 36, an electronics engineer from Wimbledon, who plans to manufacture his electronic Kingfisher car lock, digitally-controlled, for which he won £25,000; and Mr. Michael James, 35, of Liverpool, whose fish tank dispenses with pumps and filters. He won £15,000.

Mr. David Mowatt, a development agency official, said: "The city council is interested not only in the winners but also in the 308 other entrants, whom we are now approacbing to offer them facilities in the city.

"The competition gave us the opportunity to promote Liverpool as a centre for new industry and to bring jobs tu the area.

هكذا من الأصل

IS THIS THE HELP INDUSTRY CAN EXPECT FROM GOVERNMENT THIS YEAR?

For once, industry will be left very much alone this year.

There'll be no government interference, no government handouts.

And industry would probably agree that they prefer it that way.

But it's also going to be a year in which industry will have to find solutions to its own financial and labour problems.

In case it feels a little isolated in its new-found freedom, Colt would like to intervene with a helping hand.

Have you considered the effect better working conditions can have on your productivity and labour relations? And, in particular, better ventilation?

Colt strongly believe that better ventilation can help British industry produce more (and save a great deal of money into the bargain).

Research tells us that a man or woman works best at a temperature of around 65 degrees F. 20 degrees over that, and they'll be 20% less productive.

At 90 degrees F, they'll also be 50% more likely to have a serious accident.

Too much heat, moisture, hazardous fumes and gases cause irritation, lack of concentration, aggression, and are a major cause of absenteeism.

Colt systems create happier, safer, more productive working conditions whilst cutting back dramatically on your energy costs and heating bills.

We can show you how to cleanse contaminated air and recirculate the warmth without expensively replacing it.

We can cool one worker rather than the whole factory and remove hazardous fumes from his immediate working environment.

And install special low-loss ventilators to minimise heat loss in winter. (The same system doubles to give your premises fire protection all year round.)

We can also replace inefficient heating systems with the best in turbo-static design: oil, gas, radiant, or instant change-over dual fuel, optimiser-controlled to minimise operating costs, of course.

If you'd like us to carry out a full, free survey of your premises, call us right away.

We'll then give you a detailed report, and quotation, full after-sales service and comprehensive ten year guarantee.

We can even advise on financing a system – whether by leasing or other methods.

All in all, if you can't expect government help this year, you can certainly expect, and get, help from Colt.

Colt International Ltd., (Health and Safety at Work), Havant, Hants PO9 2LY. Tel: (0705) 451111. Telex: 86219.

COLD STORAGE HOLDINGS LIMITED

(Incorporated in the United Kingdom)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Empire Dock, Singapore 0409, at noon on 31st May, 1980 when the Directors will recommend for approval a Final Dividend of six Singapore cents per 10p stock unit less income tax in respect of the Financial Year ended 31st January, 1980 payable on 2nd June, 1980 to Stockholders on the Registers as at that date, making a total distribution for the year of $7,122,000 (previous year $7,122,000).

NOTICE IS ALSO GIVEN that the Transfer Registers of the Company will be closed from 24th May to 2nd June, 1980, both dates inclusive, for the preparation of dividend warrants.

The audited results of the Company and of the Group for the year ended 31st January, 1980 were:—

	1980 Group S'000	1980 Company S'000	1979 Group S'000	1979 Company S'000
Turnover	218,221	—	195,700	—
Profit before taxation	21,336	17,197	18,183	17,819
Taxation	7,123	6,669	8,436	6,996
Profit after taxation	14,213	10,528	9,747	10,823
Less: Minority Interests	515	—	515	—
	13,698	10,528	9,232	10,823
Extraordinary Items	19,190	168	101	(22)
Profit attributable to Stockholders of Cold Storage Holdings Ltd.	32,888	10,696	9,333	10,801
After charging:— Depreciation of Fixed Assets	5,989	—	5,958	—

By Order of the Board
J. D. Raj, Secretary.

Singapore,
23rd April, 1980.

Letters to the Editor

One course of action

From Mr. A. Page.

Sir,—If the TUC "day of action" goes ahead on May 14 that day will go down in history as the day the TUC stuck a dagger in the back of our democratic country . . . not—repeat not—in the back of the elected Government as it so glibly states.

All should remember this Government was elected freely on a wide mandate of reforms from which it has not deviated one iota, except maybe to be less severe to the unions.

People who stay away from work by reason of pressure from a union and not because of being in dispute with management should be reminded that he or she will be breaking their "contract of employment" with their employer and thus giving up their job voluntarily.

A. W. Page,
32 Greenacres,
Shoreham-by-Sea,
West Sussex.

A modest real return

From Mr. G. Kramers

Sir,—In the Lombard column of April 30, Anthony Harris reminds us that an indexed bond, paying a modest real return, is attractive in comparison with a fixed interest stock paying a high but depreciating money return.

The snag, he writes, is that the Organisation of Petroleum Exporting Countries would like an indexed price for its oil and would find the world's only indexed bond irresistibly attractive. I have already suggested that the index-linked bonds should only be sold to registered insurance companies and pension funds for the benefit of funds and pension arrangement that aim to provide index-linked pensions and satisfy the Registrar that the stock is being used for that purpose.

The amount of money that the institutions and pension funds are seeking to invest is growing year by year partly due to inflation. This presents us with a problem that should be faced.

As the institutions want a "real" return on their money they stay out of the market and force up interest rates. They also force up property values and rents by competing with each other and the more equity shares they own the more likely they are to be nationalised by some future government.

To introduce an index-linked stock would help to bring interest rates down, it would also help the pension funds to meet their obligations in the future.

G. H. Kramers,
Partingdale Lodge,
Partingdale Lane,
Mill Hill, NW7.

Objections to indexation

From Mr. A. Sherman

Sir,—From time to time, contributors to the Financial Times launch sallies against me and my ideas in one field or another. Anthony Harris, writing as Lombard (April 30) is the latest to do so. Unfortunately, readers will have been given a misleading picture insofar as they rely on tangential references in the Financial Times.

I cannot deal with my objections to indextation in a letter. Suffice to say that they are not based on Israel's disastrous experience, but on economic logic which Mr. Harris seems reluctant to grapple with. I cited Israel only because advocates of index-linking are prone to cite Brazil's experience in favour of the expedient, though when challenged they admit to knowing nothing about that country's recent economic history, but simply "beard" that indexation had helped there. By contrast, Israel's experience of indexation and the swing of economic opinion there against it is amply documented and available in English. I should be happy to explain the basic fallacies of the index-linking panacea without reference to experience elsewhere.

Alfred Sherman,
10, Gerald Road, SW1.

Successful bonds

From Mr. D. Liss

Sir,—Last Monday, at an open forum in the City, Sir Geoffrey Howe was suitably non-committal in his reply when asked whether he realised that some people doubt the sincerity of the attack on inflation while the government borrows at 14 per cent for 28 years.

Anthony Harris (April 30) makes, I think, a related point when he speaks of the Bank realising that a coupon of 14 per cent or so for 20 years could prove quite expensive in real terms. There need be no fears of Organisation of Petroleum Exporting Countries' money flooding into index-linked government debt if the intending purchaser is made to submit a nationality or residence declaration.

In simplistic terms, £10bn of existing government debt with an average coupon of 13 per cent replaced by index-linked bonds with a coupon of 3 per cent, with a maximum life of 10 years, would reduce public sector borrowing requirements by £1bn annually. More realistically, an initial £1bn conversion offer on such terms would surely be taken up, to judge by the success of granny bonds.

28, Airedale Avenue,
Chiswick, W4.

Tough times on £10,000 a year

From Mr. A. Donovan.

Sir,—Mr. Brown (May 1) draws attention to the plight of the £10,000-a-year executive with a significant mortgage.

The problems he faces while serious are not quite so gloomy as Mr. Brown suggests. Tax relief should redress his outgoing on mortgage interest by some 30 per cent. The tax free capital gain on that part of the house value which could be attributed to the original loan would probably exceed by a large margin the net interest on the loan and the gearing effect of the loan would lead to a greater benefit on this account. Although this latter point does not help the man's current cash flow problems it should reduce his need to put something by for his old age.

Alan F. Donovan,
31 Stanhope Road,
Croydon.

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON THURSDAY, 8TH MAY 1980 AT THE BANK OF ENGLAND, NEW ISSUES, WATLING STREET, LONDON, EC4M 9AA OR NOT LATER THAN 3.30 P.M. ON WEDNESDAY, 7TH MAY 1980 AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "EXCHEQUER TENDER."

ISSUE BY TENDER OF £1,000,000,000

13½ per cent EXCHEQUER STOCK, 1992

MINIMUM TENDER PRICE £96.00 PER CENT

PAYABLE AS FOLLOWS:

Deposit with tender	£20.00 per cent
On Friday, 13th June 1980	£30.00 per cent
On Friday, 11th July 1980	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 22ND MARCH AND 22ND SEPTEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 22nd September 1992.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 22nd March and 22nd September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first payment will be made on 22nd September 1980 at the rate of £3.5168 per £100 of the Stock.

Tenders must be lodged not later than 10.00 a.m. on Thursday, 8th May 1980 at the Bank of England, New Issues, Watling Street, London, EC4M 9AA or not later than 3.30 p.m. on Wednesday, 7th May 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £96.00 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit of £20.00 per cent of the nominal amount tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. Tenders must be in sealed envelopes marked "Exchequer Tender."

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100-£2,000	£100
£2,000-£5,000	£500
£5,000-£20,000	£1,000
£20,000-£100,000	£5,000
£100,000 or greater	£10,000

Her Majesty's Treasury reserve the right to reject any tender or to allot a less amount than that tendered for. If undersubscribed, the Stock will be allotted at the minimum price, the balance of Stock not tendered for being allotted at the minimum price to the Governor and Company of the Bank of England, Issue Department. If oversubscribed, all allotments will be made at the lowest price at which any tender is accepted (the allotment price), and tenders accepted at prices above the allotment price will be allotted in full.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest at the rate of 1 per cent per annum over the Bank of England's Minimum Lending Rate on a day-to-day basis may be charged on any overdue amount which may be accepted. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA, or by any of the Branches of the Bank of England, on any date not later than 9th July 1980. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any instalment payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 11th July 1980.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13, Donegall Place, Belfast, BT1 5BX; at Mullens and Co., 15 Moorgate, London EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
2nd May 1980.

THIS FORM MAY BE USED

"TENDER FORM"

For use by Banker or Stockbroker claiming commission—	
(Stamp)	VAT Regn. No. (if not registered put "NONE")

This form must be lodged not later than 10.00 a.m. on Thursday, 8th May 1980 at the Bank of England, New Issues, Watling Street, London EC4M 9AA or not later than 3.30 p.m. on Wednesday, 7th May 1980 at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England. Tenders must be in sealed envelopes marked "Exchequer Tender."

ISSUE BY TENDER OF £1,000,000,000

13½ per cent Exchequer Stock, 1992

MINIMUM TENDER PRICE £96.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 2nd May 1980 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:—

Amount of Stock tendered for	Multiple
£100—£2,000	£100
£2,000—£5,000	£500
£5,000—£20,000	£1,000
£20,000—£100,000	£5,000
£100,000 or greater	£10,000

AMOUNT OF STOCK £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £96.00:—

TENDER PRICE (a) £ : p

Amount of deposit enclosed, being £20.00 per cent of the nominal amount of Stock tendered for:—

AMOUNT OF DEPOSIT (b) £

I/We hereby engage to pay the instalments as they shall become due on any allotment that may be made in respect of this tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

.... May 1980 SIGNATURE ....
of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

MR/MRS MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS:—		
POST-TOWN	COUNTY	POSTCODE

a The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

b A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "Exchequer Stock." Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

STAMP OF LODGING AGENT (IF ANY)

FT6/5

UK NEWS – LABOUR

Employers condemn day of action

BY CHRISTIAN TYLER, LABOUR EDITOR

EMPLOYERS yesterday condemned the TUC's day of action next Wednesday as a newspaper group prepared to test the legality of the TUC action.

The CBI urged companies to stay open, to encourage their employees to turn up for work, and to "counter any impression that there might be widespread shut-downs."

The National Chamber of Trade, at its annual conference, urged the TUC to rescind its call to trade unionists to stop work for part or all of the day in protest at the Government's economic and labour relations policies.

Express Newspapers will this morning seek an injunction against five trade union officials, designed to ensure that the Daily Express and the Evening Standard appear on May 14.

The Express, in common with other national newspapers, is likely to be stopped following a direction to its members from the Society of Graphical and Allied Trades, and stoppages by other print workers.

The Attorney-General is expected to reply this week to a Tory back-bencher's request that he bring proceedings against Mr. Len Murray, TUC general secretary, and members of the TUC general council, for "inciting" workers to breach contracts with their employers.

The question, along with a similar one directed at the Civil Service Minister, was tabled last week by Mr. Michael Grylls, MP.

It raises many of the issues faced by Labour's Attorney-General when some years ago he refused to sanction a private prosecution launched against the postmen's unioo for interrupting the mail.

Mr. Arthur Scargill, president of the Yorksbrie miners, said at a rally in Snnderland that if workers did not participate it would be regarded "as a vota of confidence in Maggie Thatcher and the Tory adminiatration."

Leadership had bee ngiven for the first tim esince 1926, he declared. "The labour movement should mobilise to create the cooditions to force an early general election and the re-election of a Labour Government," he caid.

Sir John Hedley Greenborough, president of the CBI, called the day of action a wasteful and irrelevant "day of folloy."

"After all the havoc by the road bailage srtike, the eogineering strike and the steel strike, do we bave to have yet another day of chaos—this time a political strike which carries oo legal immunity—to prove that we lead the world in the art of cuttin gour own throats?"

Public transport and non-emergency public services are likely to be withdrawn nevt Wednesday in many cities and towns, where merches and rallies are being organised by regional councils of the TUC.

A teachers' unioo has asked education authorities to close the schools because essential srevices will not be carried out on that day.

Phoenix pay offer rejected

By Our Labour Staff

PHOENIX ASSURANCE bas made its clerical and tecbnical staff a pay offer of 15 per cent, together with a further 3 per cent from December this year "on account" for the 1981 deal.

The company has told the Banking, Insurance and Finance Union that the offer, wbich includes improved fringe benefits and a rednced working week for some staff, is the best it can afford.

The union, which is seeking rises of 21.6 to 29 per cent as well as indexation, bas told Pboenix that the offer is unacceptable and that it will consider alternative ways of pursuing the claim.

The management said the offer, whicb covers about 3,500 staff, was in addition to 5 per cent paid "on account" last December although this is disputed by the union.

● TALBOT TALKS: Officials of the Transport and General Workers Union, shop stewards and amnagement meet at the Talhot car plant in Linwood, Scotland, today in a bid to settle a dispute which has stopped production.

The dispute is over a management decision to cut the metal finishing section of the assembly line by four men, from 26 to 22. The unioo would accept a cut of only two.

TUC 'should deal with rogue unions'

THE TUC should have the power to discipline "rougue elephant" unions, a trade union leader said yesterday.

Mr. Walter Johnson, MP, president of the while-collar Transport Salaried Staffs Association, told his union's annual conference in Torquay that the trade union movement should put its own house in order in another Labour Government was to be elected.

He said there was no doubt at the time of the last general election that the vast majority of British people felt that the unions had too much power and were running the conntry.

"This was one issue that came through on the doorstep at the general election time and time again, stoked up by the media."

Inflation

He said that the trade union movement had not helped itself in recent times with unofficial action sometimes causing considerable inconvenience to the public.

"In some sections of the community at the drop of a hat, people walk out without taking into account the consequences of their action.

"Even in our own industry, unofficial action by a small group of workers can cause untold misery to many thousands of their fellow workers trying to get to and from their place of work.

"These actions bring the trade union movement into disrepute. Altbough they may be unofficial, the union is blamed for not being able to control its members.

"The TUC should have the power to discipline unions who are rogue elephants, who take action that discredits the whole of the trade union movement.

Understanding

"This bas got to be done if we in the trade union movement are going to win back the confidence, the respect, and the understanding of the mass of the people of this country."

Mr. Johnson said that a Labour Government could not be elected unless it bad the full support and backing of the trade union movement because they were so closely associated.'

"I consider it absolutely vital that in the next two or three years the trade union movement puts its own house in order.

"And instead of trade unions being a liability on polling day at the next general election they will greatly add to Labour's chance of being returned to power," he said.

More scope for private enterprise

By Elaine Williams

GREATER OPPORTUNITIES for private enterprise will arise once the Government has passed its new Transport Bill.

Mr. Norman Fowler, the Transport Minister, said yesterday. "Newcomers will be free to challenge the poor services currently offered by long-standing companies in certain areas."

The Governmeot also iotends "sweeping away much red tape surrounding bus and coach services." Licensing restrictions on inter-city coach services are to disappear. This will give more companies the chance to compete with existing operators.

He added: "There is a real chance for the development of a network on the lines of the Greybound coaches in America."

The Government also proposes to make it easier for commuters to run their own bus services. Mr. Fowler said: "When we change the law workers and employers will be able to enter into contracts or services which will not need a road licence."

Private enterprise will have more control of motorway services. when the Government stops its involvement in service areas.

Heavy goods vehicle testing will be carried out privately instead of by the Government. Mr. Fowler said.

INSURANCE

New motor insurance scheme

BY OUR INSURANCE CORRESPONDENT

THE commercial vebicle operator—whether be is running a fleet of heavy haulage vehicles or just a few company cars—has to be cost cooscions. On the motor insurance front many an operator arranges for a substantial accideotal damage excess or opts for third party only cover, reckoning that he can fund his own annual vehicle damage bill, io part or in whole, more economically than he can buy full damage insurance.

The greater the degree of self-funding the more the vehicle operator needs a quasi lawyer, or a claims expert, to ensure that due compensation is obtained where others are responsible. In the past, many insurance brokers provided this kind of recovery service, often without charge, at least up to the point at which legal process was required: bnt few brokers feel they can afford to provide their clients with this kind of luxury oo the motor commissions they earn. Now the operator must pay for whatever service he cao arrange.

But the vehicle operator needs not only a recovery service for uninsured losses—he needs wide protectioo to cover the many legal problems that can arise out of bis ownership and use of vehicles: occasionally events will occur that must put the orgaoisation's funds at risk.

The Bristol-based DAS Legal Expenses Insurance has just unveiled its new Motor Legal Protectioo Policy—a contract comprising five optional sections which can be takeo singly or in combination. In its five years of selling legal expenses insurance DAS baa of course sold vebicle policies. The new contract replaces these and offers increased cover.

The first section is for accident loss recovery. It provides the legal costs of getting in uninsured losses—policy excesses, repair costs, bire charges, compensation for loss of use.

The second seclion, Contract disputes cover, provides protection against cost of pursuing or defending claims arising out of the sale, purchase, hire, test or repair of vebicles, or out of the carriage of goods or passengers therein.

The prosecution defence section enables the operator to arrange legal defence to a wide raoge of motoring prosecutions, including those involving suspension or loss of licence, and if need be to appeal against conviction or sentence. A parallel, fourth section, prosecution defence cover for employees, provides cover of similar character and extent for the driver invilved, as distinct from his employer.

Only in these procesution defence sections is there any real overlap with the cover provided by traditional motor policies. Motor insurers provide limited cover for the defence of prosecutions arising out of accidents which may give rise to legal liability claims.

The fifth section, personal injury and personal effects, makes funds available for the pursuit of claims against negligent third parties for compensation for injury and loss of or damage to effects sustained in a vehicle accident.

As under other DAS policies, cover is for up to £10,000 each claim, to meet the fees of solicitors and counsel, the fees and expenses of experts and witnesses and—if the proceedings are unsuccessful—opponents' costs.

Because DAS is partly owned by Europe's largest legal expenses insurer, German-based Deutscher Automobil Schutz, it can provide cross-Channel cover, and can have legal disputes handled throughout Europe and some Middle East countries. Where overseas cover is provided funds can be made available to meet bail demands for the release of drivers and vehicles.

Premium of course depends on the sections bonght, on the number and type of vehicles insured, and the geographical limits.

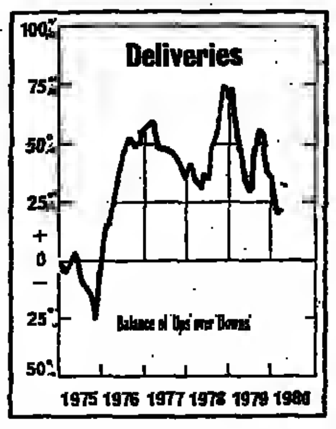
FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Slight gain in confidence

THE GENERAL level of confidence in industry improved last month, partly because of the steel settlement and some post-Budget reflection. The index of confidence about business prospects recovered much of the ground it lost during its steep fall in March. But it remains severely depressed, not far above the lowest for four years.

Of the three groups of companies interviewed last month, the engineering industry continued to be pessimistic, while there was greater optimism in the brewing and distilling sector and in the paper and connected industries.



The recession and the strong pound remained the main reasons for pessimism in the engineering sector. But several brewing and distilling companies were more optimistic because of better sales produced by the good weather and lower-than-expected increases in drinks duty in the Budget.

The index of optimism about UK economic prospects improved although companies' pessimism still remains relatively deep. More respondents felt that the Government bad the right long term strategy, although there were complaints about the exchange rate and high interest rates.

GENERAL BUSINESS SITUATION

4 monthly moving total — April 1980

Are you more or less optimistic about your company's prospects than you were four months ago?	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
More optimistic	24	18	24	24	6	57	33
Neutral	34	34	36	37	53	43	35
Less optimistic	42	48	40	39	41	—	32

EXPORT PROSPECTS (Weighted by exports)

4 monthly moving total — April 1980

Over the next 12 months exports will be:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Higher	49	47	48	52	41	100	73
Same	22	29	30	29	28	—	27
Lower	27	22	22	18	31	—	—
Don't know	2	2	—	1	—	—	—

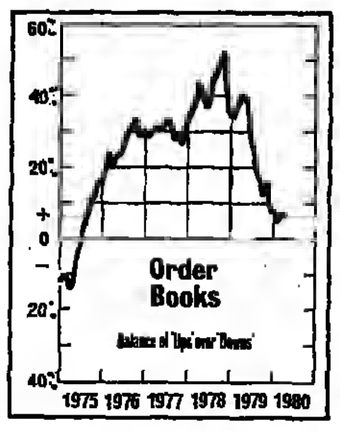
ORDERS AND OUTPUT

Demand slide levels off

There was a further indication last month of a slight levelling off in the steady fall in demand reported by companies since last sumer. However, it is still too early to say whether this offers definite evidence of the start of an uptrend.

Both the indications for new orders received and order books were barely changed last month, while the indicator for deliveries over the past four months also stabilised.

The brewing and distilling sector reported rises for all three indices. Engineering



companies said orders were down and also bed less hope of a pick-up in order books. Engineering orders were affected by competition from overseas, particularly from Far Eastern countries under-bidding on large contracts. The depressed construction sector was another factor.

The paper and connected industries group reported a lower level of recent deliveries, partly a result of competition from imports, lower advertising expenditure, and a drop in newspaper sales caused by the recession.

NEW ORDERS

4 monthly moving total — April 1980

The trend of new orders in the last 4 months was:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Up	34	35	31	34	—	57	11
Same	21	19	21	18	12	29	10
Down	17	15	13	7	83	—	23
No answer	28	31	35	41	5	14	56

PRODUCTION/SALES TURNOVER

4 monthly moving total — April 1980

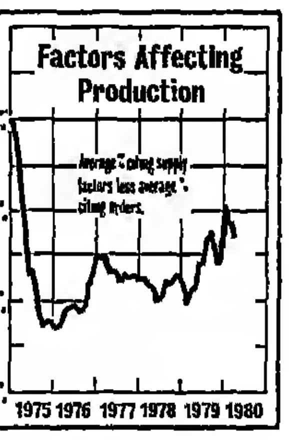
Those expecting production/sales turnover in the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Rise over 20%	6	6	5	3	—	—	—
Rise 15-19%	6	5	5	3	6	29	—
Rise 10-14%	11	14	16	22	11	—	—
Rise 5-9%	22	20	16	17	6	21	28
About the same	47	46	48	46	54	50	72
Fall 5-9%	1	—	1	1	5	—	—
Fall over 10%	1	1	—	—	13	—	—
No comment	6	8	9	8	5	—	—

CAPACITY AND STOCKS

Stocks still too high

MOST COMPANIES surveyed felt that stock levels were still too high in relation to current sales trends. There was little change in the index registering the number of companies working at planned output levels. This has risen quite sharply in the past few months, perhaps because companies have cut back planned production levels.

The paper industry and the brewers were most inclined to report that their stock levels were too high, although the engineering group was less inclined to give this answer.



The impact of lower demand on the outlook for stock levels was shown by a sharp fall in expectations about the level of work in progress over the next 12 months.

But all three sectors were more inclined to say that they expected stocks of raw materials aod components to increase. Among factors affecting production, a shortage of bome orders was mentioned more frequently than shortages of staff.

STOCKS

4 monthly moving total — April 1980

Raw materials and components over the next 12 months will:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Increase	29	22	21	25	25	72	46
Stay about the same	33	35	39	39	40	28	46
Decrease	29	31	25	24	35	—	2
No comment	9	12	15	12	—	—	6
Manufactured goods over the next 12 months will:							
Increase	19	18	24	26	1	43	23
Stay about the same	40	36	36	33	54	57	48
Decrease	21	22	15	14	17	—	23
No comment	20	24	25	27	28	—	6

FACTORS CURRENTLY AFFECTING PRODUCTION

4 monthly moving total — April 1980

	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Home orders	76	73	69	64	88	57	96
Export orders	44	43	43	41	71	29	46
Executive staff	12	11	9	12	6	—	21
Skilled factory staff	24	27	25	26	53	—	2
Manual labour	4	5	8	6	—	—	—
Components	11	11	15	14	—	—	11
Raw materials	19	17	9	11	25	—	33
Production capacity (plant)	11	12	11	7	—	—	11
Finance	2	2	2	2	6	—	—
Others	12	12	10	6	—	14	6
Labour disputes	32	35	31	30	6	—	41
No answer/no factor	7	2	7	8	12	43	4

CAPACITY WORKING

4 monthly moving total — April 1980

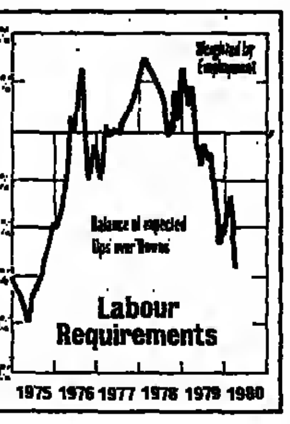
	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Above target capacity	7	9	14	14	6	—	6
Planned output	66	63	54	51	42	100	56
Below target capacity	26	26	30	33	52	—	38
No answer	1	2	2	2	—	—	—

INVESTMENT AND LABOUR

Labour cut-backs expected

The emerging recession is cutting deeply into employment prospects in industry. The index of expectations about changea in companies' labour forces over the next 12 mnnths fell again, taking it to the lowest since the mid 1970s. The engineering group wes particularly pessimistic ebout a cut in employment, largely owing to lack of orders and falling profitability. Brewers were elao less inclined to expect their work force to increase.

The index for the expected level of cepital expenditure remained



at around the very low levela reported last month. Around 85 per cent of companies questioned said the abotition of exchange controls last Oetoher hed had no effect on investment intentions. This was a rather greater percentage than when the companles were last quizzed in December.

Around one third of respondents said compeny liquidity was too low, about he same as last month. The liquidity squeeze wes particularly marked in the engineering and brewing sectors.

LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total — April 1980

Those expecting their labour force over the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Increase	15	16	22	23	6	—	12
Stay about the same	36	37	38	36	42	100	33
Decrease	43	41	35	39	52	—	55
No comment	6	6	5	2	—	—	—

EARNINGS ON CAPITAL (Weighted by capital expenditure)

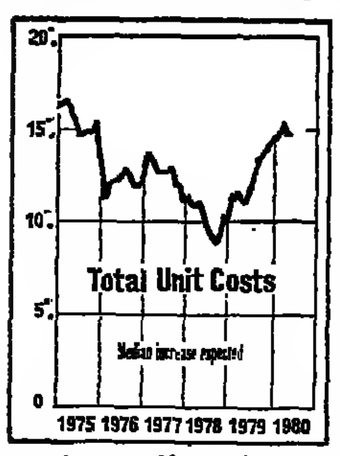
4 monthly moving total — April 1980

Those expecting capital expenditure over the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
Increase in volume	26	28	26	34	15	—	31
Increase in value but not in volume	19	15	16	9	12	73	5
Stay about the same	12	12	17	15	12	20	21
Decrease	36	33	26	23	55	7	38
No comment	7	12	15	19	6	—	5

COST AND PROFIT MARGINS

Pressures ease slightly

Inflationary pressures eppear to be levelling out after months of increasing pessimism on wage and material costs. There was no change in the indicator projecting the expected rise in wages



over the next 12 months, with the median forecast remaining at 17.5 per cent.

On unit costs, both the paper and the engineering sectors expected smaller increeses over the next 12 months than they had done when laat interviewed. The emdian forecast fell to 14.0 from 14.3 per cent, tbe first drop int he Index since May 1979.

Engineering companies were more optimlatic of containing future wege rises in the 10 to 14 per cent range, but brewers and distillers all tbought that wages would rise by 15 tn 19 per cent.

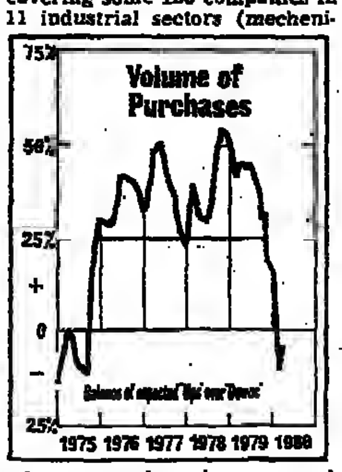
All three sectors expected smaller price increases over the next 12 months. The index for the median expected rise fell to 14.0 per cent from 14.3 per cent, fall.

There was some improvement in expected profit margins, continuing the rise atarted io January.

These surveys, which are caried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 80 per cent of all public companies.

The all-industry figures are four-monthly moving totsls covering some 120 companies in 11 industrial sectors (mecheni-



cal engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

4 monthly moving total — April 1980

Wages rise by:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
10-14%	13	17	18	15	41	—	9
15-19%	64	56	46	37	53	100	76
20-24%	14	16	14	11	—	—	6
25-29%	—	—	—	1	—	—	—
Same	—	—	—	1	—	—	—
No answer	9	11	22	35	6	—	9
Unit cost rise by:							
0-4%	5	5	1	2	—	—	—
5-9%	6	3	3	5	24	14	—
10-14%	30	31	35	33	36	29	51
15-19%	30	31	29	29	23	28	38
20-24%	7	9	7	8	—	—	2
Same	—	—	—	—	1	—	—
No answer	22	21	25	23	16	29	9

PROFITS MARGINS

4 monthly moving total — April 1980

Those expecting profit margins over the next 12 months to:	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Oct.-Jan. %	Eng'g. (non-elec.) %	Brews. Distills. %	Paper Packaging Publishing %
improve	46	36	32	31	18	86	31
Remain the same	27	34	40	40	11	14	39
Contract	23	26	25	25	64	—	30
No comment	4	4	3	4	7	—	—

APPOINTMENTS

Senior post at Christie—Tyler

Mr. Alan Liddle has been appointed chief executive of CHRISTIE-TYLER. He has been with Gallaher for the past 17 years and is currently chairman of its Dutch group, Theodorus Niemeyer BV. He succeeds Mr. George Williams who is at present chairman and chief executive and who will remain as executive chairman.

★

Mr. P. V. Olsen and Mr. A. H. M. Kelsey have been admitted to the partnership of KITCAT AND AITKEN, stockbrokers.

★

Mr. N. L. Clifford-Jones, chairman of SGB Group, has been appointed a director of BRITISH AMERICAN AND GENERAL TRUST.

★

ITR GROUP has made the following appointments: Mr. Alan Tanner, deputy managing director of ITR International Time, has also been made director of finance of the Group. Mr. Brian S. Rayner becomes director of marketing for ITR. He remains managing director designate of Building Micrasystems, tho newly formed energy management subsidiary.

★

Mr. Philip Appleyard has been appointed associate director (fisheries) of WIMPEY APPLEDORE.

★

Mr. Geoffrey Slater has been appointed direcotr and general manager of the general products division at BOYDEN DATA PAPERS.

★

Christopher Moran Group states that Mr. Victor Wood has been appointed chairman of HARMAN HEDLEY AGENCIES in place of Mr. James Redgrove, who remains on the Board.

★

Mrs. Anne A. Piper has been appointed a director of NATIONAL WESTMINSTER BANK'S outer London regional Board.

★

Mr. Peter Hodgson, managing director of Salford Electrical Instruments, has also been eppointed managin gdirector of SATCHWELL CONTROLS, with responsibilities for the international and domestic Satchwell companies. He remains managing director of SEI, which will be include din the Satchwell Group.

★

Mr. E. Peter Gush, president aod chief executive officer of HUDSON BAY MINING AND SMELTING, has been appointed chairman. He will continue to be president an dchief executive. He succeeds Mr. H. R. Fraser who decided not to stand for re-election as a director because of other business commitments. Two new directors have also been appointed: Mr. J. Neil Clarke and Mr. Vernon Van Sant, Jr. Mr. Clerke is managing director aod chief executive of Charter Consolidated. Mr. Van Sant is chairman and chief executive of Hudson Bay Mining's petroleum subsidiary, Francana Oil and Gas, Calgary.

★

Mr. Tom Dawson has joined the BOWATER CORPORATION to lead aod co-ordinate their building product manufacturing aod merchanting interests. He has become chairman of F. Hills aod Sons, Rippers, Crossley Manufacturing (Bricks) and Transport Companies and Flexpipe, reporting to Dr. Bob Humphreys.

★

The Queen has approved the appointment of Sir Francis Sandilands as a member of the ROYAL FINE ART COMMISSION. He fills the Commissioner vacancy caused by the appointment of Sir Derman Christopherson as chairman of the Commission. Sir Francis is chairman of Commercial Union Assurance. He is a director of the Royal Opera House and a trustee of the British Museum.

★

Mr. R. C. Murray has joined the Board of P-E International as a non-executive director.

★

Mrs. E. J. Loving has been appointed a director of NEW CENTURY VENTURES (INTERNATIONAL) end NEW CENTURY VENTURES (REINSURANCE BROKERS).

★

Mr. Michael Kilbey has been appointed managing director of the TURNKEY GROUP OF COMPANIES in place of Mr. Derek Goldsmith, who remains chairman.

★

Mr. John Tucker has been appointed vice-president New York of KORS MARLAR AND ASSOCIATES, the U.S. member of Robin Marlar and Associates, London.

★

Mr. Peter Agar and Mr. T. J. Harkin have joined the Board of GEORGE STRACHAN AND SON as sales and design directors, respectively. Mr. Agar joins the company from Burco Dean. Mr. Harkin has been with Strachan since 1966.

CONTRACTS

Coal Board awards £17½m orders

Contracts with a total value over £17.5m have beon let by the National Coal Board. Supply of corrugated steel sheets, from June 1, 1980 to May 31, 1981, worth £9,307,000 has been awarded to WM. GREEN (STEEL), J. R. STEELS, MORGAN E. REES, B.S.C. STRIP MILLS, DANKS STEELS, A. THOMAS & CO. (MFRS.), EUROPEAN STEEL SHEETS, G. WOLFE & SONS.

Supply of rolled steel lagging boards, from June 1, 1980 to May 31, 1981, worth £3,532,000, bas been awarded to GEO. WOLFE, HOLLYBANK ENG., AYRSHIRE METALS, DARLINGTON & SIMPSON, WM. GREEN, DANKS STEELS, B.S.C. GODINS, J. R. STEELS.

Supply of roadside packing systems — Packbind, from February 1, 1980 to January 31, 1981, worth £1,272,000, bas been ewarded to BLUE CIRCLE INDUSTRIES.

Supply of telephone, lighting and signalling cables, from June 1, 1980 to May 31, 1981, worth £2,250,000, has been awarded to A.E.I. CABLES, B.I.C.C., DELTA ENFIELD CABLES, PIRELLI GEN. CABLES.

Supply of building requisites, from April 1, 1980 to March 31, 1981, worth £1,201,568 has been ewarded to J. H. SANKEY & SON, BUILDING MATERIALS, BRITISH FUEL, F.W.D. BUILDERS.

★

FERRANTI COMPUTER SYSTEMS is supplying British Airways with 3270 emulator terminals and other equipment together valued at over £1m for installation during 1980 in aircraft handling areas at London's Heathrow Airport. The project, which was conceived by British Airways, has been code named "DRIVE" — "Documentation Review Into Video Entry." It involves the installation of over 50 programmable terminal clusters and 400 visual display units and keyboards, operating over communication links into the main BA central processor at Heathrow. The DRIVE system is primarily concerned with aircraft maintenance, workshop stock control, scheduling and spares tracking.

★

AEG - TELEFUNKEN (UK), Maidenhead, has a contract from the Civil Aviation Authority for the radar replacement antenna programme. The antennae are of the SRE-M5 type. The group was also successful in obtaining a multi-million pound contract for 500 kw broadcasting transmitters from the British Broadcasting Corporation.

★

MARCONI INSTRUMENTS, a GEC-Marconi Electronics company, has orders totalling £250,000 from Micro Consultants, British Aerospace Dynamics Group and SRA Communications AB for differing applications of the Autotest System 80 incircuit tester but where the requirement is for an automatic test equipment integrated with a production line rather than e test station in isolation.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Foamed wrapping

FOAMED, high-density polyethylene film, called Aerowrap, is now being manufactured by the Flexible Packaging Division of BXL at Darton, Yorkshire (022-678 3388).

The material is available in both perforated and unperforated form. When perforated by a BXL patented process, it is said to become a "breathable" wrapping material. Random perforations are made in a range of hole sizes which can be varied—up to 80 perforations per square cm can be produced.

In this form it can be used for infusion and certain boil-in-the-bag applications, or as an aerated film for packing fresh vegetables, bakery products, plants, flowers, or any product which can cause condensation or needs to "breathe."

Unperforated Aerowrap is designed to replace expensive glassine, tissue paper and vegetable-parchment papers for packaging edible fats. As a substitute for aluminium foil, high quality, vacuum-metallised grades are available. Both perforated and unperforated grades can be used as a shrinkwrap material.

Aerowrap is said to be particularly suitable for running on form fill and seal machines. It can be sealed by all methods used for sealing conventional low density and high density polyethylene films.

This huge industrial vacuum cleaner is one of a series with ability to collect dense bulk materials such as foundry sand, catalysts and other "spillage" at rates of up to 5 tonnes per hour. Chieftain equipment of this type can also be connected into runs of fixed pipework to give a central vacuum cleaning facility within a building. The multi-stage turbine type air exhauster consumes low amounts of power when running at maximum suction and there are no tight internal clearances which reduce wear and maintenance requirements. Three basic models are rated at 7.5, 10 and 15 hp. Sturtevant Engineering at Westergate Road, Moulsecoomb Way, Brighton, Sussex BN1 4QB. 0273 60166.

● OFFICE EQUIPMENT

Copier will fit between desks

A DESK-SIDE copier has been introduced by 3M: mounted on a pedestal swivel stand, it could fit snugly between the desks of office secretaries says the company, and is recommended for users making about 1,000 copies per month.

Known as the 3M Compact Copier, the machine makes use of fibre optic light transmission and the company's Magne-dry direct electrostatic technique on coated paper.

By using an 8½ x ½ inch bar of fibre optic transmitting ends, light from the source is scanned across the paper while a similar bar picks up reflected light from the original to make the copy. Compared with the conventional lens arrangements, much less space is taken up, the number of parts is fewer and there is no distortion from lens/mirror combinations. The machine measures only 18 x 18 x 8 inches.

Originals can be continuously fed through the machine and the copies are cut to the size of the original—copying paper is roll fed. Copy rate is 14/min from 11½ inch long originals; long originals such as telexes can be copied.

More from 3M House, P.O. Box 1, Bracknell, Berkshire RG12 1JU (0344 26726).

Good picture in daylight

SUITABLE FOR nearly all the big screen and daylight viewing applications that are beyond the abilities of machines with tungsten halogen lamps, a new 16 mm projector from Bell and Howell has a light output of 1700 lumens.

Light source is a new gas discharge arc lamp, the Gemini 300, developed from the Marc 300 used by the company in the now discontinued model 666. The lamp is said to have three times the life of its predecessor. It also has a pre-focus construction so that the user can replace it without alignment to give uniform light distribution on the screen.

The projector has automatic threading with safeguards against accidental film damage but start procedure has been simplified. Motor and lamp are controlled by push buttons rather than rotary switch and silicon chip logic is employed to ensure that if a button is pressed out of sequence no harm is done to projector or film. The machine also has a hand-held remote control.

More from the company at Bridgewater Road, Wembley, Middlesex HA0 1EG (01-902 8812).

● COMPUTER-AIDED DESIGN

Drawings produced on microfilm

FIRST OF its kind in the UK for the production of graphics on COM (computer output microfilm), a new service will enable users of computer-aided design to achieve significant savings in the time and cost of plotting, duplicating and distributing drawings.

Launched this month by RHM CentreCOM, a subsidiary of Rank Hovis McDougall group, the service is a development of the widely used method by which alphanumeric data held on magnetic tape is transferred directly onto microfilm. The application of the process to the kind of "vectored" data generated in computer-aided design means that drawings of any size can be reproduced on 35 mm microfilm, by-passing the various lengthy stages required to produce microfilm by conventional photographic techniques.

COM involves running the magnetic tape through a recorder, a highly sophisticated piece of equipment that reads the data, converting the vectored co-ordinates to produce an image of the drawing which is displayed on an addressable cathode ray tube and photographed by an associated camera. This obviates the need to use a plotting machine to produce a paper-based drawing for subsequent conventional microfilming.

Based at Harlow in Essex, RHM CentreCOM offers a 24-hour job turnaround with a collection and delivery service within a 100-mile radius of Harlow. Tapes received by midday are processed overnight and the completed output is available the following morning. Output is on 35 mm microfilm with each frame mounted in an aperture card if required. An eye-readable title caption can then be applied to each card.

More from Joseph Rank House, PO Box 11, The High, Harlow, Essex. 0279 53027.

● INSTRUMENTS

Measures signals on telephone channels

A HAND-HELD digital meter from Wandel and Goltermann (UK) can make weighted and unweighted noise measurements on telephone channels to CCITT recommendations and can measure signal levels from −70 to +10 dBm over the frequency range 30 Hz to 20 KHz.

Designated PMP-20, the unit is being marketed alongside another the PM-20, which cannot measure noise but can measure very high signal levels up to +30 dB. Resolution of the measurements is 0.1 dB, for noise or level.

These light, portable instruments will also check DC voltages from zero to 100V. Auto-ranging and a large display, which always show the correct sign, allow repetitive measurements to be made quickly and easily.

Housed in a rugged shock-proof case, the meters are powered by internal dry or nickel cadmium batteries; a warning arrow starts to flash two hours before the battery is discharged and if the voltage drops any further the meter switches itself off to avoid bad readings.

More from the company at 40 High Street, Acton, London W3 (01 992 6791).

● COMMUNICATIONS

All residents may be heard

THE NATIONAL Research and Development Council has provided funds worth £55,000 to Tunstall Byers, a Doncaster based company for the development of communications systems for the elderly.

In total, £250,000 has been spent on the system which the company claims is a new approach to helping elderly people who live in sheltered housing schemes—which are usually run by local authorities.

Sheltered housing allows the old or disabled to live independent lives within the community but a warden, paid by the local authority, ensures that they are adequately cared for. Each home in a particular scheme is usually fitted with a special alarm activated by a cord which can alert the warden if there is an accident or a resident has a problem.

A large proportion of the time such calls are false alarms, and wardens are not able to discover the problem until they actually arrive at the person's home.

The new system from Tunstall Byers called Piper, allows speech between warden and the tenant. A small electronic unit which fits on the wall can be activated with a conventional cord or a small pocket sized transmitter, which can be carried about the person. This unit automatically dials a telephone call to the central unit which is located at the warden's home.

The warden can then talk to the tenant anywhere in the house because the loudspeaker is so powerful that it can be heard even through a closed door.

Initially the company will be trying to market the system to sheltered housing schemes, which care for about 250,000 people in this way.

However there are about 10m people in the UK who are of retiring age which represents 18 per cent of the population; 4m live alone. So only 5 per cent of this number can be offered protection.

Tunstall Byers says that because the equipment uses the public telephone network, there is no reason why private individuals outside local authority schemes could not use the system, eventually. The ability to communicate with a central control is not limited by distance and it could cover far greater numbers than are catered for today.

The main problem is that at present there is no framework in which private homeowners could come under a single scheme and the cost of installing a system would be considered too high.

Tunstall Byers hopes that with the emphasis on communities caring for the elderly rather than placing them in hospital or special homes, communications systems will become increasingly popular.

As well as speech, the system is capable of monitoring homes for fire and burglary and automatically transmitting coded signals back to a central point. Tunstall Byers, Moss Road, Askern, Doncaster, South Yorkshire, DN6 0RE.

ELAINE WILLIAMS

Microphone withstands rough conditions

PARTICULARLY useful in adverse conditions, for example for radio telephone applications in rough terrain vehicles, is a new heady duty, watertight hand-held microphone from Barkway Electronics, Barkway, Royston, Herts SG8 8EE (076384 666).

This shock-proof unit has encapsulated switch and microphone insert and will be made available as an OEM item to meet most types of hand-held microphone applications, apart from becoming standard in Barkway's yacht radio.

Designed for close-talking use, the microphone will be available with a range of inserts to suit customers' requirements with regard to impedance, frequency response and operational noise levels.

The company is working on an intrinsically safe version for use in hazardous areas.

Intercom equipment offers wide ranging facilities

LATEST development in the Phillips M100 direct speech equipment is a new master station—the first of a new range of intercom equipment for the 1980s.

Available from Pye Business Communications of Cambridge, the master station has it own microprocessor giving control of a number of facilities. Sound quality and voice switching characteristics are claimed to be the best yet achieved in an intercom system, exceeding the high standards already set by current M100 equipment, with which the new station is compatible.

M100 provides instant "hands free" voice links between anything from two to many thousand stations. It is adaptable and extendable; extra stations (and extra cable if needed) are simply plugged into the 8-pair parallel cable and reprogrammed within seconds.

A new, internationally-approved keyboard layout includes an improved volume control and privacy button as well as controls for a number of standard and optical functions. These include automatic call-back, triplex conversations, group call, connections across private tie-lines and links with *the DP 6000 digital paging* system through a coupler.

Stations can also be fitted with a telephone handset for confidential conversations and with programmable direct call buttons, giving direct access to up to 12 frequently-called stations at the touch of a single button.

With its distributed intelligence, the M100 system dispenses with the large central exchange and the expense of wiring every station to it.

The compact control equipment ranges from a simple two-channel unit for small, basic systems up to the master function control (MFC) which can accommodate hundreds or even thousands of stations and provide a large number of system *facilities*.

The flexible M100 system can thus offer the greater efficiency of a fast second channel of communication for any organisation, from the smallest office to the largest commercial or industrial concern.

CONTRACTS AND TENDERS

ETHIOPIA
INTERNATIONAL TENDER
FOR THE PURCHASE OF SUPPLEMENTAL TRAINING EQUIPMENT

INVITATION No. T-09/72

The Provisional Military Government of Socialist Ethiopia, Ethiopian Roads Authority, announces tha release of an international tandar for the purchasa of Supplemantal Training Equipment.

The purchese of this equipment is financad b ythe International Development Association and bids are soalicited from member countries of the IDA. Interested and qualifying bidders are advised to collect bid documents from our Procurement Office Room No. 106 during working hours upon payment of 10.00 birr per set.

Bids will be opened in public in the Conference Room 4th floor of the Ethiopian Roads Authority headquarters building on June 10, 1960 at 10.00 hours Addis Ababa time.

The Authority reserve the right to reject any or all bids that are not inconformity with all conditions and specifications mentioned in the tender.

Ethiopian Roads Authority

PERUSAHAAN UMUM LISTRIK NEGARA
AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION TO BID

Tenders for the Coal Handling Plant Contract for the new 2 x 400 MW Suralaya Steam Power Plant near the town of Merak in West Java will be received on or before 10.00 hours on 20 August 1980 for public opening at 11.00 hours at the Head Office of Perusahaan Umum Listrik Negara, Jalan Trunojoyo Blok MI/135, Kebayoran Baru, Jakarta, Indonesia.

The Coal Handling Plant Contract comprises the design, manufacture, supply, erection and commissioning of plant to receive, stock pile, reclaim and transfer coal to the steam generator coal bunkers.

Coal will be received from self discharging ships at Suralaya at a rate of 4,000 tonnes per hour. Annual quantity of coal to be handled will be about 2.5 to 3 million tonnes initially with expected increase to 6 million tonnes in the future.

Beginning 19 May 1980 the Tender Documents may be examined and upon payment of the non refundable sum of US Dollar 300 can be obtained at the address below:

PERUSAHAAN UMUM LISTRIK NEGARA
DIRECTORATE OF PLANNING
JALAN TRUNOJOYO BLOK MI/135
KEBAYORAN BARU, JAKARTA
INDONESIA

To qualify for award, tenderers must have successfully designed, manufactured, erected and commissioned a minimum *of two comprehensive coal* or *similar bulk material handling* plants (such as ore or crushed stone) during the preceding ten years which have been in successful commercial operation for a minimum of three years, each with an annual capacity in the range of 3 million to 5 million tonnes or larger. Tenders will be received from qualified suppliers or their authorised representatives. Perusahaan Umum Listrik Negara has applied for a loan from the International Bank for reconstruction and development and will apply the proceeds of this loan to payments under this contract. Only manufacturers residing in member countries of the International Bank for reconstruction and development or Switzerland are eligible to tender. Perusahaan Umum Listrik Negara reserves the right to reject any or all Tenders and to waive minor irregularities and informalities.

JAKARTA, 5 MAY, 1980
PERUSAHAAN UMUM LISTRIK NEGARA

BOND DRAWING

IRELAND 2¼%
1974/1984 UA 20,000,000

NOTICE IS HEREBY GIVEN to the bondholders of the above mentioned loan that the amount redeemable on June 12, 1980, i.e. UA 1,000,000 was bought in the market.

Amount outstanding: UA 14,000,000.

Outstanding drawn Bonds: [illegible]

Luxembourg, May 5, 1980.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

IRBID DISTRICT ELECTRICITY COMPANY LTD.
PROJECT 5022/01

The Irbid District Electricity Company [illegible]

LEGAL NOTICES

IN THE MATTER OF: The Companies (Winding-Up) Act 1977

IN THE MATTER OF: CETA SHIPPING CO. LTD. HAMILTON, BERMUDA

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company, which is being voluntarily wound up, are required, on or before the Ninth day of May 1980 being the day for that purpose fixed by Mr. Bruno Boesch and Mr. Harold Arthur, Joint Liquidators, to send their full Christian and Surnames, their addresses and the names and addresses of their solicitors (if any) to the undersigned at Messrs. Evans, Dodd & Summerton, 5 Balfour Place, Mount Street, London W1Y 5RG, and if so required by notice in writing from the said Joint Liquidators, [illegible] personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated the 18th day of April 1980.

EVANS DODD & SUMMERTON, Solicitors to the above-named Joint Liquidators.

PAPUA NEW GUINEA ELECTRICITY COMMISSION
KAUGEL NO. 1 HYDROELECTRIC PROJECT PREQUALIFICATION FOR ACCESS ROADS TENDERS

Interested contracting firms are invited to submit application for inclusion on the list of prospective tenderers for construction of access roads at Kaugel No. 1 Hydroelectric Project.

The works consist of 32 kilometres of new roads together with ancillary drainage and the construction of four bridges. The quantities of major items include 2 million cubic metres of excavation in materials ranging from volcanic ash to limestone; 108,000 cubic metres of road pavement material and 190 metres of single and multi-span bridges.

Participation in the prequalification is open, subject to international finance agency acceptance, to tenderers from any country. A course of funds is currently being pursued. Applications must be submitted on official forms which are obtainable, together with the P.Q. brochure, from the office of the Commission.

Papua New Guinea Electricity Commission
P.O. Box 1105, Boroko, P.N.G.
Telephone: NE 22121. Telex: 225833

Attention Chief Engineer, Design and Contracts
Submission of applications closes on 3rd June, 1980

Building and Civil Engineering

Coast protection work by Costain

CONTRACTS worth about £3.75m in Fujairah, United Arab Emirates, and Das Island, for the ronstruction of coastal defences bave been awarded to Costain International.

In Fujairab, Costan is building the east coast protection project (pbase 1) for the UAE Ministry of Public Works and Housing. Worth about £3m this is for compiction in mid-1981 and calls for the construction of four kilometres of rock armoured sea wall—two kilometres capped with a concrete wave wall.

Consutuing engineer for the project is Allott and Lomax (Middle East).

On Das Island, Costain International is carrying out a £750,000 coastal protection contract for the Abu Dhabi Marine Operating Company.

This work, to be completed late this year, will protect 800 metres nf coastline. All precasting work will be carried nut on the mainland and shipped to Das Island by tugs and barges.

Back at bome, Yarmside Holdings, a subsidiary of the Costain Group, has started work at *Ingleby Barwick, Cleveland,* on one of the UK's largest bousing developments—the con*struction of 8,000 dwellings* nn about 1,000 acres of land north-east of Yarm, Cleveland.

When completed towards tbe end of the century, Ingleby Barwick will consist of seven villages with associated primary schools, shops, pubs, community facilities, two secondary schools and a neighbourhood centre.

Preliminary infrastructure *works have started, comprising* roads and sewerage facilities, to open up the areas of land for *the first two villages.*

Hnusebuilding is expected to start in 1981, providing 400-500 housing units each year. Plans for the first 133 dwellings have been lodged with Stockton Planning Authority.

Awards to Tilbury

IN THE Surrey Docks re-development srheme in London, the new distributor road is to be built for the Borough of Southwark by the Tilbury Contracting Group.

This £800,000 project calls for 500 metres of carriageway, a pedestrian underpass and a play area for the Dockland Settlement, *inter alia.* An existing bridge over the Lady Lork will be demolisbed.

Meanwhile, the Thames Water Authority haa placed a group of three contracts with Tilbury, adding up to £800,000.

They include an extension to Lechlade Sewage Works, a reinforced concrete structure for micro-strainers within a piled cofferdam at Swinford water treatment works, and an office block at Sunbury-on-Thames.

A new store and office is also to be built for Avis at the latter's Langley premises. This is valued at £112,000.

Contract for Gilbert Ash

THE SCOTTISH Gas Board has awarded a contract for the design and construction of a training centre and worksbopa to G.A. Design Build Management, a Bovis company. Tbe buildings will be built at Granton, north of Edinburgh and will comprise laboratories, training worksbops, classrooms and a block of training cottages, and will cost £1.1m.

Main contractor will bc Gilbert Ash Scotland which will complete the job in May 1981.

The contract covers three basic *buildings* nf *steel frame* construction with colour metal cladding and both pre-cast and *in situ concrete floors.*

G.A. Design Build Management is using Jamea Parr and Partners as architects, Summers and Partnera as quantity surveyors and Thornburn and Partners as engineers—all of Edinburgh. Gilbert Ash is currently engaged on a telephone exchange at Stirling for the Scottish Telecommunications Board worth £1m and an office block at Woodside Terrace in Glasgow.

£2.3m housing by Laing

NORTHWEST region of Jobn Laing Construction has gained a £2.3m award from Guinness Trust for the construction of 123 new homes in Rochdale.

Construction will be traditional, with brickwork cavity walls and pitcbed, tiled roofa and completion will take two years.

Architects are Halliday Meacbam Partnersbip and consulting engineers Kenchington Little and Partners.

Surface water drainage

UNDER A £1.4m contract, Streeters of Godalming is to carry ont a surface water drainage scheme in Mitcham Road, Croydon, for the London Borough of Croydon.

Tha contract calls for the construction of 1,400 metres of large diameter pipe with realignment of various foul sewers, and the connection of a number nf surface water sewers into the new line.

At Farnborough, Hants, the company is to construct a pumping station and pipeline in the Cove Valley for Rushmoor Council. This will cost £740,000 and involves a 2 km rising main and a 1,200 mm diameter gravity sewer.

Several other smaller contracts bring the total awards to Streeters to £2.8m.

Civil engineering work

INFRASTRUCTURAL civil engineering work an tbe Deeside Industrial Park is to be carried out by Boskalis Westminster Construction for the Welsh Development Agency.

It is worth £1.4m and covers the constructinn of dual and single carriageway roads, foul and surface sewers and gas, electric and PO distribution mains.

Located to the south nf Britisb Steel's Shotton works, the *industrial* park is being developed by the Agency and BSC (Industry) and should provide new job opportunities whicb wil be welcome in the area.

Consulting engineers for the work are Ward Ashcroft and Parkman.

Kent firm busy in Surrey

OVER *£2m-worth* of work in Surrey spread between three projects in Cobham, Guildford and Egbam has been won by Wiltshiers.

In Cobbam, the company is undertaking repairs and alterations to tbe manor bouse at Cobham Park to convert the 19th-century mansion into offices for the Britisb computer software company Logica. The refurbishment of the building includes cleaning the external stonework and restoring the interior of the mansion to its original elegance. Agent and surveyor for the project is Hillier Parker May and Rowden, with quantity surveyor Raymond Hart and Partners.

In Guildford, the fitting out of a new C & A store for Brador Constructions is now well under way and it is expected that work will be completed in September. Architects for this project are North and Partners and the quantity surveyora are Banks Wood and Partners.

At Egham conversion of existing premises is under way to form new laboratories for Richardson-Merrell. This is a £1.4m project.

Homes to be modernised

TWO AWARDS worth together better than £1½m bave been placed with Humphreys and Glasgow Services by the city of Newcastle upon Tyne.

The first is valned at £1.2m and is for the refurbishing of a number of *Victorian houses* at Rye Hill West.

The second calls for the *modernisation of old people's* bungalows at Eldon Road, Lemington.

Warehouse and offices

A WAREHOUSE and office complex is being built by Hewgate of Aylesbury, Bucks, at a cost of about £420,000 fnr Health Products.

The main building will be a 20,000 sq ft warehnuse which Hewgate is constructing from a single span 35 metre Butler steel frame building, 54 metres long and 7 metres to eaves.

The offices—supported within an in-situ reinforced concrete frame with brick piers and infill panels—will have long runs of aluminium framed windows at ground and first floor levels together with deep zinc-faced parapets.

Removing the water

A MAJOR contract for the supply, installation and maintenance of a complete wellpoint dewatering system in Dubai bas been awarded to Khansabeb-Sykes by Al-Ashram/EPTO/LTPA, an Arabic/French consortium wbich is to undertake the construction of six underpasses in a £37.5m project.

Value of the dewatering contract is between £350,000 and £400,000 and will include the supply of 22 Sykes automatic vacuum priming centrifugal pumps, wellpoints, risers, header pipes and all necessary high pressure jetting pumps for inserting the wellpoints.

Because of the rapidly increasing traffic congestion in the city, the scheme is urgent and the consortium plans tn complete the work within 21 months.

Reclaiming riverside land

TWENTY ACRES of riverside mud flat are to be reclaimed for the Medway Ports Authority by Ham Dredging under a £2.3m award.

The Lappel Bank is close to Sheerness Docks aod the work will provide the latter with additional land for tbe storage of export/import vehicles.

Reclamation work could be completed by October, when surfacing will start and Ham Dredging will be collaborating with the Medway Authority's consulting engineers Posford Pavry and Partners, based in Peterborough.

● H. H. Robertson (UK) bas won a further £225,000 contract to re-roof Greater Manchester Transport's Queens' Road Garage, part of GMT's £15m garage renovation programme.

Structural steelwork

TWO BIG bulk feed mills for BOCM-Silcock are to he set up at a cost of about £1m—so far as bte structural steelwork is concerned—by Robert Watson and Company (Structural Engineers).

The mills, at Penrith, Cumbria, and Enstone in Oxfordsbire will eacb bave a capacity of 75,000 tonnes a year.

Covered by the contract are 62 silos for each mill and the structural frameworks for associated buildings.

In the meantime, the company has fabricated the structural steelwork (£204,000) for the East Lancashire "Skill-centre" at Accrington for the DOE Property Services Agency. The main contractor is Turriff.

The company also bas won a contract worth £170,000 for the Thomas Danby College, Leeds.

Modernising homes

CONTRACTS in the north-west of England worth over £2½m have been won by Holland, Hannen and Cubitts (Northern), a member of the Tarmac group.

Cnbitts is working on 141 houses fnr the Metropolitan Borough of Wirral under contracts worth £1.1m. Thirty of these at Birkenhead will be ready for occupation in the summer, while the larger contract, involving the rebabilitation nf 111 houses at Rock Ferry, is due for completion in the autumn.

North of the Mersey, Cubitts bas been retained by Knowsley MBC to carry out external repairs to more than 2,000 homes. Value of the work, at Cantril Farm Estate and Prescot, is £630,000.

In Greater Manchester the company is tn remodel 116 flats on tha Huntley Fold Estate under a £693,000 contract awarded by Bury Metropolitan Borough Council.

Pile driver monitor

DATA ABOUT the energy being supplied to a pile during driving can be obtained without interfering with the work using a simple device developed by Fugro, the geotechnical consultants of Ruislip, Middlesex (Ruislip 30791).

Purpose of the unit is to measure accurately the terminal velocity of the ram for each *blow,* which it does by means of light emitting diodes mounted on a static component of the *hammer.*

A moving vane cuts a beam generated by the diodes and the duration of the break can be printed or recorded on punched tape. This provides a measure of the energy (knowing the mass of the hammer) on a blow by blow basis and also gives an impact count.

The provision of such data can be useful on sites where predictions indicate possible refusal conditions, or wherever pile driveability differs greatly from the predicted behaviour. It should also assist in adjustments to a new hammer and over a period give historical data on a number of aspects of the work that could lead to improvements or cost cutting.

Sounding is simplified

USED in conjunction with most recording depth sounders, the Raytheon SSD-100 survey sounder digitiser will provide a survey grade four digit depth display with a binary coded decimal electrical output for data logging and integration into hydrographic survey systems.

This unit has automatic seabed acquisition and tracking, allowing unattended operation under normal survey conditions. Should *false sea-bed* targets disrupt normal tracking an automatic search mode is initiated and *audible,* visual and data alarms are made. When the bottom is re-acquired (after receipt of four valid echoes), auto-tracking resumes.

Sea-bed acquisition through shoals of fish, scattering layers, seaweed and so on is ensured by a positioning control which is centred round the true bottom. In addition, adjustable reverberation blanking prevents lock-on to false targets to a depth of 80 ft.

The equipment measures only 75 x 127 x 225 mm and weighs 16.5 kg. Used with the company's DE-719B Fathometer, a complete automatic survey system is provided and the total weight, including transducer, mount and rigging is still only 26.5 kg.

Originating from Raytheon Ocean Systems Company in the U.S., the unit is available in the UK from Offshore Environmental Systems, 17 West Street, Farnham, Surrey GU9 7DR (0252 714812).

Calculates awkward volumes

NATIONAL COAL BOARD has purchased eight Kern DM-501 electronic distance meters together with eight Kern K1-SE theodolites as part of a programme of modernisation linking electronic surveying equipment and microcomputers. The Kern instruments were supplied by Survey and General Instrument of Edenbridge, Kent.

The novel equipment will be used mainly for long-range tacheometry in open-cast mining areas. Some of these open-cast mines have voids over 1 km across, and measuring overburden removed—and later replaced—can be a difficult task.

Using the Kern DM-501 together with a Kern K1-SE theodolite, the surveyor can calculate the precise position of up to 500 points on the surface of the ground per day, and use the information to arrive at a computation of the volume of material removed or replaced since the previous set of readings were taken.

Survey data from theodolites and electronic distance meters will be recorded on standard field data sheets and later processed on a Hewlett-Packard HP-85 microcomputer. The computer is portable and can be taken from one site to another with ease, thus eliminating the need for taking or transmitting the acquired data to a remote processing facility; the computer incorporates an integral VDU and thermal printer.

The computer could be used in conjunction with a plotter to give excavation profiles, and the Coal Board is considering the possibility of data transfer between the field instruments and the computer via a solid state data logger which could be interfaced with the computer directly.

Survey and General on 0732 864111.

IN BRIEF

● Two office buildings and a control room at Southern Electricity's headquarters in Maidenhead, Berkshire, are to be built by IDC of Stratford on Avon.

● Worth more than £1m, an order to supply drilling rigs to Uganda has been granted by UNICEF to Duke and Ockenden, member of the Mowlem Group.

Bulls and bears in a video spin

John Lloyd examines competitive strategies in the video tape and disc market

Video entertainment in the home: playing for whose corporate benefit?

THE DAY when we all turn into what Ogden Nash called "videots" is drawing inexorably closer. Or, as the consumer electronics industry would prefer to put it, the television set is in the process of being transformed into a home entertainment-cum-education-cum-computing centre.

Viewdata systems like Britain's Prestel and the French Teletel comprise part of this electronic jigsaw, as do—in some countries—the growing diversity of TV channel. But it is the arrival of video-tapes and video-discs playing their pictures onto the living room's TV screen (via a magic box called a recorder) which is most immediately attractive to the consumer—and to the massed ranks of multinational industry.

There are two schools of thought on the relative merits of video tapes—which have been on the market since the mid-1970s—and discs, which are about to be launched to massive promotional fanfares from the growing welter of competing suppliers. Since their battle lines are composed of the most powerful companies in Japan, the U.S. and Europe, this debate is hardly academic: the viability of enormous investment and marketing effort hangs on its outcome.

Both sides agree that disc will not replace tape; there is even agreement (usually) that both markets will grow together. The debate is rather over the uses to which both, especially disc will be put, and thus the relative strengths of each as commodities. It is, if you will, an argument between the bulls and the bears.

The bulls say that both markets, but especially discs, will grow dramatically. They say this because they believe the two systems have complementary uses. Tape will be used for recording TV programmes that viewers have missed, for showing home-made video tapes (enthusiasts are reportedly already ruining their friends' evenings in this way), and for training and demonstrations.

Discs, they say, will be the mass market for entertainment; people will be able to buy films of their choice, much as they buy LPs now. Music buffs will be able to watch as well as to listen to their favourite group or symphony, western fans can see High Noon every Saturday night, and those who like mush can see Love Story till their tearducts run dry.

At the same time, disc can also be found uses in schools, colleges and companies.

The bears agree that video tape will be used for home taping (it already is) and for training/education. But they do not think disc will take off in a big way as an entertainment medium. They believe that people do not want to see even favourite movies over and over again—or not enough to create the mass market which would bring the cost down far enough to allow more people to buy a film for the price of three of four drinks.

The bears also argue that broadcast TV will get better films sooner after release, so that it will not be worthwhile buying a film when you can tape it, keep it for a while, then wipe and re-use the tape. The place of disc, they say, will be largely in education, training, and promotion.

The bulls, not surprisingly are in the majority: Philips, the Dutch pioneers; America's RCA the second to arrive in the market; Japan's JVC—a subsidiary of Matsushita—the third; and in Britain, Thorn-EMI, which last month signed a co-production deal with JVC, the first the Japanese company has signed.

All broadly believe in the first of these futures. All, too have been careful to secure "software" or entertainment divisions, to give them something (anything!) to put on their discs.

Philips is a joint owner with Siemens of the mighty Polygram music company (which bought out Decca's music interests earlier this year); RCA has extensive film TV and music interests, while JVC — which is already Japan's biggest record producer—found Thorn EMI particularly attractive because Thorn had secured EMI's big music division in what had seemed an after-thought but now looks increasingly canny.

Becaus their companies are big and powerful, the bulls may make many of their market predictions come true by their forward charges.

The most public of the bears is Sony, the Japanese railway arch-to-multinational corporation which so often has been a market-leader. This time, though, it says it will sit out the first waltz (though it is likely to be in the last tango) because the market is smaller than everyone thinks, and there will be the usual undignified squabbles over standards.

Sony receives tacit backing from IBM which, like Philips, has entered into cross-licensing agreements with MCA corporation, a major film and record producer. MCA will market the Philips disc system in the U.S.

IBM's involvement is probably not due to any wish to make or distribute films, but because of it believes discs will be used for industrial and commercial purposes and it wants to cover all its customers' needs (or rather to keep its competitors away from them).

Bulls or bears? The outcome of the battle greatly to expand the video market will decide which is right. It could mean that IBM will find itself in show business, just as the company which discovered the Beatles, EMI, now finds it is part of the software industry.

On tomorrow's Management Page, Richard Hanson will report from Tokyo on the rise of JVC.

Sanctions, subsidiaries and the long arm of U.S. justice

A. H. Hermann describes new proposals for overcoming the excesses of extraterroriality

ONE OF the consequences for companies of any further escalation of the Middle East upheaval, accompanied by continued differences of approach between the U.S. and its Allies, could be the eruption of a host of legal problems.

The legal implications of any additional government sanctions against Iran—or against the Soviet Union over Afghanistan—would be complex enough on their own account. But they could be aggravated still further by the already controversial issue of the extraterritorial application of U.S. laws.

The long arm of American courts has been getting longer and stronger ever since 1945, when the U.S. Supreme Court ruled that "it is settled law . . . that any state may impose liabilities, even upon persons not within its allegiance, for conduct outside its borders which the state reprehends, and these liabilities other states will ordinarily recognise."

This doctrine, called the effects doctrine, was originally developed to cover relations between the individual States of the Union. When it was applied to foreign states, however, the assumption that these states would recognise such liabilities imposed by the United States was not fulfilled. There are less than 19 diplomatic protests on record, as well as numerous protracted and fruitless meetings between officials. When the United States started to use its anti-trust laws in combination with the effects doctrine for the pursuit of economic policies contrary to those of its trading partners—particularly in shipping, aviation, the securities industry and the arrangements concerning the supply of uranium—a number of countries introduced blocking legislation. These included Britain, Australia, Canada, the Netherlands and South Africa.

A particularly irritating aspect of the extraterritorial application of U.S. laws is the method used for the collection of information in foreign countries. Inquiries are addressed not only to parties in a litigation but also to potential witnesses, seeking information which might lead to further inquiries and to the discovery of some, as yet, undefined documents.

Such "fishing expeditions" are frequently authorised regardless of foreign laws prohibiting the provision of such information. For example, in 1964 the UK adopted an Act to protect the contracts and documents of British shipping companies. In December 1977, in the RTZ/Westinghouse uranium judgment, the House of Lords set limits to the assistance which U.S. courts could expect from UK courts when making their inquiries.

Finally, in March, Parliament passed the Protection of Trading Interests Act, giving the Government and courts new far-reaching means of defence against the incursions of U.S. courts, and powers to recover multiple damages which British firms might have been made to pay in the U.S.

Blocking legislation of this type provides some help, but is no real solution to the problem. It can lead to legal battles which create chaos and are detrimental to trade.

This legal war is not only affecting large multinational companies, but increasingly also smaller enterprises which are caught by the U.S. product liability laws and exposed to the threat of triple damages, even if they have no presence or agent in the United States—the fact that their goods were sold there is enough for some U.S. courts to assume jurisdiction.

But the main reason why the extraterritorial application of U.S. law has come to the forefront of attention recently has been its use to regulate the activities of foreign subsidiaries of American companies. The presidential order freezing Iranian funds, for example, was expressly made applicable to foreign companies "controlled" by an American parent.

The U.S. Government feels very strongly that it can subject foreign subsidiaries of U.S. companies to U.S. law on such matters as taxation, exchange control, banking, boycotts and trading with the enemy. This last category, of course, includes those economic sanctions which have been—or may yet be—applied in connection with the holding of American hostages and the invasion of Afghanistan by the Soviet Union.

Conference

In the present political situation it seems imperative that there should be some balancing of U.S. interests on the one hand and those of its trading partners on the other whenever the U.S. courts, or the Department of Justice, consider the application of U.S. laws outside their own boundaries.

The feeling that things should not be allowed to drift any further recently prompted the Ditchley Foundation—whose main purpose is to promote friendly relations between the UK and the U.S.—to convene a conference on the Extraterritorial Application of National Laws Regulating Business Activities.

The meeting, attended by leading experts from both sides of the Atlantic, was chaired by Lord Diplock, one of the UK's Law Lords. It produced a number of suggestions which, if followed by governments, could somewhat ease the present difficulties.

A valuable suggestion which had the support of American participants was that the Administration should seek congressional authorisation to negotiate procedures for the exemption of certain industries—mainly regulated industries—from the impact of the antitrust laws. This would dispose of criminal proceedings against enterprises in these industries.

As far as private actions were concerned, it was suggested that it would help if U.S. courts were obliged to notify them to the State Department so that it could obtain information relevant for the acceptance or rejection of jurisdiction. In this connection it should be noted that the U.S. participated in the formulation of a recommendation adopted by the OECD on September 25, 1979, calling for notification, consultation and conciliation procedures when a member country investigates or prosecutes restrictive business practices which involve important interests of another member country.

There was general agreement about the urgent need to start informal discussions between governments about extraterritorial application of U.S. law. It was felt that the problem of shipping "conferences" should be the first point on the agenda, since the Soviet Union would be the only beneficiary of the policies at present pursued by the U.S. Federal Maritime Commission. A likely consequence of that would be that the Soviets would gain a greater share of cargo and thus control of high-sea shipping lanes, in addition to the Soviet Union's trans-Siberian route to the Far East. The strategic consequences of such policies could be very serious.

The conference also envisaged that an early agreement on export cartels might be possible. It was thought untenable that the U.S. should prosecute foreign companies for making export agreements which American companies are free to make when exporting from the U.S.

Finally, there was a wide consensus that directives given by the U.S. government to U.S. companies should not be in conflict with the law of the host country, and that where the policy of the host country was neither for nor against or was similar, there should be consultations between the governments before the directives were made. It was necessary in such a case to consider the legal liabilities of directors of the subsidiaries, as well as the effect of the proposed directives on trade and employment in the host country.

The embargo on trade with Iran which the U.S. has since declared has made this recommendation particularly topical.

LOMBARD

More economic nonsense

BY SAMUEL BRITTAN

ONE EXAMPLE of the perversive nonsense which surrounds the discussion of economic affairs was the recent furore created by some very innocent remarks of Mr John Biffen indicating that there was no fixed time lag between control of the money supply and a reduction in the inflation, he warned that the process could take more than two years, exactly how long depending on many other forces including the speed with which wage settlements react.

This restatement of well-established points about the control of inflation was immediately pounced upon by the whole army of politicians and commentators whose detestation of monetary policy is rivalled only by their incomprehension of it But the gossip-mongers could not make up their mind whether Mr Biffen had turned on Mrs Thatcher's monetary policies or let some embarrassing secrets out of the bag. Both interpretations are absurd.

My own conviction of the relation between money and inflation is partly based on the general nature of inflation and partly on world history. It is not based on statistical demand for money functions which may or may not be stable in the short run, or on Friedman's estimates of time lags, which are stated to be averages of different periods.

One very prominent British political leader seems to recall my mentioning a period of three years as a best guess. It is possible that I said 'Don't expect anything for a least three years,' But I should add the three years did not begin with the change of Government in May, but only last November when the first misguided Budget was out of the way and the authorities at last acted to curtail monetary growth.

Mainstream

But what exactly may happen after three years? According to mainstream money supply teaching, the first effect of monetary control shows itself in recession—as we see in the latest unemployment figures. The second effect is a slowing down of price inflation—it is this to which the lag of two or three years applies. The third stage arrives, when as a result of falling inflation, the real money supply growth is sufficient to finance a higher level of activity and unemployment and output returns to pre-disturbance levels.

It is this three-stage process to which Friedman referred on his recent visit when he spoke of a stabilisation programme takin gup to five years. But it is important to be crystal clear about what might happen by the end of this period. Inflation should be back well into single figures and the transitional unemployment should have subsided, if the present strategy is observed. This will be an important gain, but not a solution to all problems.

There is no reason why monetary stabilisation should produce a growth or productivity miracle, or eradicate the distortions and rigidities which have made for a higher level of unemployment, even in non-recession years.

Specific

Just as inflation merely aggravates a more fundamental "English sickness" a cure for inflation can merely remove this aggravation. A fundamental cure if possible at all depends on other policies; and a truly conservative government onght to be sceptical of how far Government action can change human habits.

Various monetary writers, ranging from Professor Patrick Minford to Professor Hayek, have urged a sharper slowdown in monetary growth to get the anti-inflationary agony over quickly. I would go with them at least to the extent of going for the lower end of the target monetary growth range—this year 7 to 11 per cent—whenever the movement of market interest rates provides a ready opportunity for doing so.

The sharp rise in unemployment may have a silver lining to it if it is a sign that the whole process—slump, lower inflation and then recovery—may be quicker than supposed and resemble more the German timetable of the mid-1970s than the British one of that period. But if we listen to the siren voices and abandon the monetary course—more likely—take action which weakens its credibility, we will simply have the recession and transitional unemployment without any anti-inflationary gain to show for it.

Sherry—its progress and problems

WINE

BY EDMUND PENNING-ROWSELL

ONE IS inclined to place sherry along with port, as a wine whose methods of production were settled anything up to 200 years ago and basically have remained unchanged ever since; though the grapes are no longer trodden underfoot and the Old Browns and Goldens that our ancestors used to drink have now been largely turned into Creams. There is also now a discriminating export demand for the entirely dry Finos that the Jerezanos themselves drink.

In fact in the dozen years since I last visited the town there have been considerable developments both in Jerez and in sherry-making. The town has lost some of its amiable sleepiness and gained — if that be the right term — a tower-block silhouette. Its population has risen to 180,000. This growth cannot owe a great deal to wine, as sherry-making is not labour-intensive. In the fine new bodegas of Croft only 40 cellar workers are needed to look after 50,000 butts, constantly being drawn off and replenished unda rthe solera system.

Output rise

Other changes include an increase in output per aranzada (slightly larger than an acre) from an average of 5-6 butts (108 gallons) to 8-10, an elimination of the sunning of tha grapes on straw mats before pressing, and a growing proportion of the fermentation carried out in stainless steel vats instead of in casks.

The advance in trade is best illustrated by the exports, for 90 per cent of sherry is sent abroad. Ten years ago 700,000 hectolitres were shipped, but by 1979 the total had reached a record 1.52m hl: an enormous increase for so traditional a wine faced with all sorts of competition. Moreover, looking back a further 10 years, only 300,000 hl were exported in 1959.

Nor have we sherry drinkers in Britain lagged behind. Although increased demand elsewhere has lowered our share of the market, last year we imported 759,000 hl, with perhaps 100,000 hl of that re-exported, largely to America, as Bristol Cream. Direct exports from Jerez to the U.S. were a mere 38,000 hl. The No. 2 export market is Holland, with 427,000 hl, although its per capita consumption of three litres is the highest in the world, while ours is less than one.

How has this expansion been possible? First, the vineyard area has doubled in 10 years, and now totals 22,300 hectares. This growth was largely financed by agricultural loans at 8 per cent for 12 years, with repayment beginning only after the fourth year. The immense new bodegas for producing and maturing all the additional wines were also bank-financed, though on less generous terms. Oddly enough, a good proportion of the roughly 25 independent firms—out of a total of around 80—are still family-controlled.

The only public company is Bodegas Internacionales, launched a few years back by the Rumasa group, which owns 16 sherry houses, including Williams and Humbert and Garveys, and whose huge non-traditional concrete bodega completed last year on the town outskirts is claimed to ba the largest of them all, holding 60,000 butts under one roof.

Otherwise, there are Domecqs running Pedro Domecq, Gonzalez in control of Gonzalez-Byass, and Valdespinos and Diez in the firms bearing their names. That is not to say that some of thesa do not have bankers at their elbows, for times are not as easy as the export figures might suggest.

The reasons for this are mainly two-fold. First, when an actual shortage of sherry occurred in the early 1970s, expansion was over-optimistic and too rapid. The ensuing slump cannot all be hlamed on the oil crisis. Moreover in Jerez, as elsewbere, prices were raised precipitously and without much thought as to whether the consumers would pay them. They did not and sales tumbled. For if the 1979 export total is impressive compared with 1969, yet 1,260,000 hl were despatched abroad in 1972. Two years later the total had fallen to 926,000 hl.

Meanwhile the threat of shortage was largely behind the decision of firms like Croft and Harveys to ensure their supplies by planting vineyards and building or buying bodegas. Previously Croft, under the name of Gilbeys, had had its bodegas in Gonzalez-Byass, while Harveys bought from many sources, notably Rumasa. In 1970 Croft acquired 1,200 acres, and in 1973 Harveys, in association with Barbadillo, the Sanlucar house celebrated for its Manzanillas, bought and a year later began planting a 1,000-acre vineyard inland from Jerez.

Owing to the official ban in 1975 on new planting, neither property is yet completely planted. But it takes eight years from planting to secure a three-year-old aherry that can be marketed, and if demand were to continue on the upward path of the last few years, the threatened shortage earlier on could recur; particularly of the superior Finos, of which there is never much surplus. And Fino can be used in cream blends.

The second reason for concern is that in recent years margins heve been sharply reduced, especially in Holland and Germany, the third largest market where demand for sherry has shot up, from 49,000 hl in 1975 to 144,000 hl last year. But the houses that set out to develop this market, notably Sandemans, have heen badly undercut. Since there is a minimum price fixed by the Consejo Regulador. and 55-60 per cent of all sherry ia sold at this price, it is surprising that such price-cutting occurs.

Special discounts allowed for advartising may perhaps be used in this way, and sherries blended in Holland, the scene of a big sherry scandal a few years ago, may cross the German frontier. Competition is pretty fierce in the high streets of Britain, too. Higher output is also given as a reason for the ability to accept lower margins.

Navertheless, while in the last few years tbe voluma of sherry exports has increased by 61 per cent the value by 87 per cent, consumer prices in Spain have, as in Britain, risen by almost 100 per cent; and the sherry is invoiced in pesetas. Moreover the minimum price per butt that was £150 a few years back has only this Marchb een raised to £261.

So I was not too surprised to be told in Jerez that aherry bad not been profitable for the last two or three years, although some houses, among them the two English companies, have been doing well. Some firms rely for their profits on the export subsidy on sherry, others on their brandies, of which nearly 2m hl were sold last year, 90 per cent of them within Spain.

On the face of it, the sherry producers should be entitled to raise their prices, but here in Britain, far end away its largest market, consumption in the last two years has been no more than static, and even in the last seven years the increase has only been 18 per cent, with signs of a fall-off lately. At a recent meeting in Jerez of representatives of sherry importers from all the EEC countries, the British in particular emphasised to the producers the need for careful consideration and prior consultation before further price increases.

Competitive

It cannot be denied, however, that in relation to other aperitif drinks, sherry is modestly priced. Its chief rival is probably vermouth. But agreeable though that is, it is essentially an "industrial" wino, made largely from low-quality grapes, and calling for little of the skill in production, and the care, selection, maturing and blending essential to secure good sherry. For their quality and price a dry Fino in summer and an Oloroso in winter are surely the most satisfactory introductions to food and to table wines. These I will write about in a further article.

Need for change in the rules

RACING

BY DOMINIC WIGAN

THE 1980 2,000 Guineas proved one of the most nnsatisfactory races of recent years.

We saw an atrocious rids from the outset by a champion on a champion. The outcome reiterates the need for a change in the rules of racing—or,at worst—a stricter and more uniform adherence to current rules.

There is no doubt that Paquet and Nureyev caused interference to several runners—notably Posse — some 2½ furlongs out.

However, the fact remains that following a 50-minute inquiry, the 2,000 Guineas was awarded to a colt who did not deserve the spoils.

The classic proved yet again that the Jockey Club rules concerning disqualification are often totally unsatisfactory, with differant stewards at different meetings taking varying views concerning transgressions.

While one set of stewards may take the view that interference caused in a given race was accidental and did not affect the outcome—and therefore possibly decide to let the result stand—another set in he same situation might feel bound o abide by the letter of the law and act accordingly.

It would seem more pertinent for riders who fall foul of the law to be penalised rather than the horse or hapless owner. his trainer and stable staff.

In the case of Saturday's 2,000 Guineas, awarded to Known Fact, I believe that the vast majority of racegoers would far rather have seen the result stand, with Pacquet receiving a four or five-figure fine or, equally, a considerably longer suspension than a seven-day ban.

This afternoon the Chester spring meeting opens with the Vase. In recent years the race has not bad a great deal of bearing on Epsom, but the 1980 renewal could well give us some useful pointers to the Blue Riband.

It will be interesting to see how Henbit, the winner of the Sandown Classic Trial, 10 days ago, goes here. His trainer, Dick Hern, won this trial with Troy and Bustino and he also bolds Henbit in high regard.

Although the Hawaii colt did not achieve a great deal when defeating Huguenot by only half a length when in receipt of 5 lbs at that Sandown event, he looked to have a good deal of improvement in him.

CHESTER

2.15—Bold Wood***
3.15—Masked Marvel*
3.45—Henbit**

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.35 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 The Flumps. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pobol y cwm. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Lassie. 4.40 Tha Perils of Penelope Pitstop. 5.00 John Craven's Newsround. 5.10 Think of a Number. 5.35 Captain Pugwash.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Daffy Duck.
7.05 Sykes (London and South East only).
7.35 Life on Earth.
8.30 Hannah.
9.00 News.
9.25 Hong Kong Venture.
10.15 Mantovani and his Concert Orchestra.
11.00 Platform One.
11.30 Weather/Regional News.

All Regions as BBC1 except as follows:

Cymru/Wales—10.38-10.58 am 1 Ysgolion. 5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 7.05-7.35 Heddiw. 11.30 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 7.05-7.35 Sykes (as London and South East). 11.00 Current Account. 11.30 News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 7.05-7.35 Hello Sunshine. 11.30 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 7.05-7.35 East (Norwich) Quidnunc; Midlands (Birmingham) Jack Ashley (a portrait); North (Leeds) Rock Athlete; North East (Newcastle) Coals from Newcastle; North West (Manchester) Contrasts; South (Southampton) The Gat-aways; South West (Plymouth) According to Hoyle; West (Bristol) Razzmatazz.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.00 pm Racing from Chester.
4.50 Open University.
6.55 The Great Egg Race.
7.25 Mid-Evening News.
7.35 The Past at Work.
8.00 The Scientists.
8.25 The Philpott File: Inside a Multinational.
9.00 A question of Guilt.
9.30 The Enigma Files.
10.20 Top Gear.
10.45 Newsnight.
11.30 Tha Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 11.55 The Undersea Adventures of Captain Nemo. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Take the High Road. 2.00 After Noon Plus. 2.45 Rumpole of the Bailey. 3.45 The Allan Stewart Tapes. 4.15 Pop Gospel. 4.45 Magpie. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Survival.
7.30 The Streets of San Francisco.
8.30 Only When I Laugh.
9.00 Playhouse.
10.00 News.
10.30 The English Garden.
11.00 Your Child and Maths.
11.30 Thames Debate: "Standards are Falling in the Health Service."
12.15 am Close: Personal choice with Denise Coffey.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 5.00 About Anglia. 7.00 Emmerdale Farm. 7.30 Charlie's Angels. 11.00 Inside Business. 11.30 Rush. 12.25 am You Have a Minute, Lord?

ATV

12.30 pm George Hamilton IV. 1.20 ATV Newsdesk. 5.15 Survival. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 A Man Called Sloane. 11.00 ATV Newsdesk. 11.05 S.W.A.T.

BORDER

1.20 pm Border News. 5.15 Struck by Lightning. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.00 TV Movie: "83 Casino." 12.40 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 5.15 Solley's Bird. 6.00 Report at Six. 7.00 Curtain Raiser. 7.05 Feature Film: "Hijack." 10.28 Channel Late News. 12.25 am Commentaries et Previsions Meteorologiques.

GRAMPIAN

9.40 am First Thing. 1.20 pm North News. 6.00 North Tonight and Area Weather Forecast. 7.30 A Man Called Sloane. 11.00 Reflections. 12.20 am North Headlines.

GRANADA

11.50 am The Bubbles. 1.20 pm Granada Reports. 5.15 Happy Days. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 Tuesday Premiere: Colombo. 11.00 The Tuesday Movie: "The Borgia Stick."

HTV

1.20 pm Report West Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 7.00 The Tuesday Movie: "Operation Bullshine." 11.00 pm "The Only Way Out Is Dead"

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

RADIO 2

RADIO 3

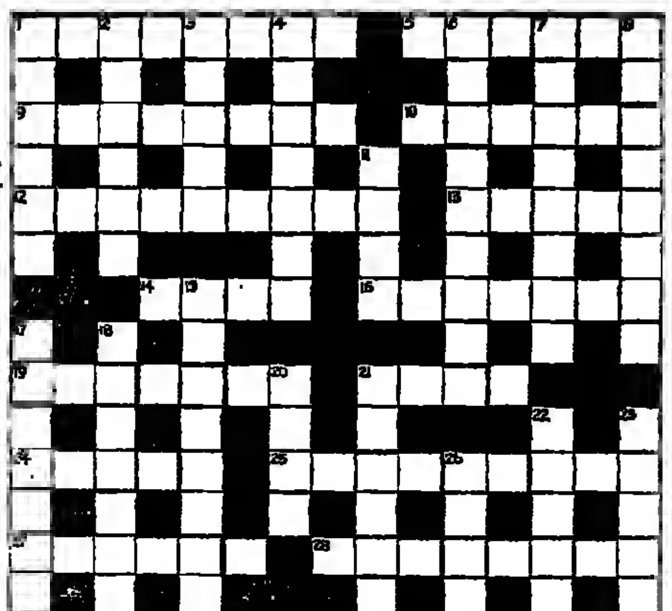
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 4,267



ACROSS

1 Transfer dance and game (8)
5 Pole in shoot in the season (6)
9 Dismantled rifle in aid of landing-ground (8)
10 One who takes cover in front of bill (6)
12 Always pleased with Eastern leader in large shallow lake (9)
13 Musical composition for one in book (5)
14 Drop she drank initially (4)
16 Let this become a national emblem (7)
19 Coached to spread for drying without wet weather (7)
21 Plant when put back is found under boat (4)
24 Caught girl in form (5)
25 Rumour from wine supplier (9)
27 Wearing not so much in 24? (6)
28 Cutting to listen to in chant (8)
29 Flush the German steering apparatus (6)
30 Hook a note (8)

DOWN

1 Strive to lift pole in extreme happiness (6)
2 That which gives strength is never right inside (6)
3 Living person (5)
4 Idler is to lounge about a thoroughfare (7)
6 Sorrowful lamentation I have to follow (9)
7 Put into neat arrangement for a chant (8)
8 One who strangles fish and carnivore (8)
11 Gamble about Pole being morally crooked (8)
15 Just one sharpener (4-5)
17 Punctilious person left poster outside (8)
18 Hastened around fool and annoyed (8)
20 Spaniard and District Attorney depart (7)
21 Hide the French articles, right? (7)
22 Fish around in the end (6)
23 Power of crew from the west (6)
26 Former performance that is precise (5)

The solution to last Saturday's prize puzzle will be given with names of winners next Saturday.

THE ARTS

London Galleries

Figuring out abstract art by WILLIAM PACKER

The Great Figurative Revival of recent years, from which those who disapprove of abstract art bave taken a certain amount of heart, hss little substance in fact: for figurative art was never moribund, nor even remotely in danger, and to suppose it was is to mis-read the nature not only of Modernism and all its works, but of figurative art itself. It is, moreover, a mischievous fiction, one all too lively to obscure the true and somewhat subtler narrative of recent events. Certainly there bave been changes of emphasis and attitude, but the issues that confront artists now are nrot, nor have they been for a long time, of confrontation and stark choice.

What has happened is that as the pace of modernist experimentation bas slackened, so the narrow authority of the avant garde bas been broken down. In this subsequent period of reflection and consolidation, artists themselves have been more inclined to look to either side of their own positions than desperately abead or behind. One marked effect of this has been tbat a great many abstract painters have begun to sllow palpably associativa and atmospberic elements, sometimes even the distinct possibility of external reference, to creep back into their work, qualifying and questioning their established formal preoccupations and justifications. Painting once more is able to be concarned quite unself-consciously with something other than itself.

'Boy in frayed jersey and overalls,' by Joan Eardley

John Walker's work over the last two or three years clearly demonstrates the point, iodeed goes on to show that even the most open figuration oeed be no betrayal of abstract principles, that the artist is quite free to come and go as he pleases. When first he hegan to reintroduce figurative elements into the paintings, he kept the reference simple, fiat an dclose to the surface. The Balcony motif made suitable sidelong genuflection towards Goya, Msnet and Matisse; for example, hut the space it inferred remalned shallow and unspecific, wbile its own decorative tracery remained hut one more formal element at the artist's disposal.

But now Walker has committed himself whole-heartedly to the deep pictorial space, inbahited admittedly by ambiguous and indeterminate objects, bot thoroughly credible, and which all the formal devices, that in the abstract works closed off the space to re-assert the surfsce, now serve to confirm and emphasise. The large rectangular shape that re-occurs so frequently, flat on and so close to the picture-plane, becomes a kind of shutter or stage-flat whicb, far from throwing it back, draws the eye past itself into the space beyond: which is, of conrse, just what Velasquez' canvas does at one side of "Las Meninas," and Courbet's in the centre of his Atelier.

This is precisely the sense we get with Walker's consciously ambitious paintings: of the artist working directly from bis immadiate practical situation. It is a long and bonourabla tradition wbich, in his idiosyncratic and generalised fashioo, be continues most creditably. The second hatch of these paintings remain at Nigel Greenwood (41 Sloane Gardens S.W.1) until May 17.

Joan Eardley (Browse and Darhy until May 24) died in 1963 at the age of 43. Had she lived ahe would surely have confirmed berself by now as an artist of great power and distinction. The evidence of the work itself suggests that she too might have moved easily towards abstraction, and just as easily withdrawn sbould that have been necessary to the work. For all their superficial differences, her exhibition and Walker's fall bappily together, the richness of paint and surface, the energy and assurance that inform the statement, and the grand simplicity of the imagery, all these qnalities are common to them both.

This exhibition celehrates ber great promise; and if the paintings, the landscapes in particlar, are a little frustrating, itching as they are to be opened up on the largest scale, as they would have been, I am sure, the drawings reveal one of the hest British draughtsmen in a long time. Indeed, her swift and certain line, and instinctive command of form, would see ber well in the best company, with Degas, for example, and Sickert, whose humane concerns sbe shares, and Nolde, the romantic Expressionist.

Finally, a word about Victor Pasmore, wbose Arts Council touring retrospective (now in Liverpool and then on to the Sainsbury Centre, Norwich) I reviewed at some length earlier in the year. There seems little point in rebearsing tbose remarks, but two further events make some comment nacessary. Pasmore is in some respects a typical figure of the Englisb art establishment, a serious artist and extremely influential teacher, wbose credentials yet seem weigbtier than his actual work.

His conversion to abstraction just after the war made him notorious, and though tbat work seems unexceptionable enougb now, it still servies to exaggerate the distinction of his earlier Euston Road figure painting in many minds. There is no doubting the seriousness and prohity of his intentions, but his early and more rigorous construtictivish bas long since drifted into an easier, decorative approach.

The amorphic, often vaguely sexual and visceral imagery of these past 20 years, judiciously pointed, is inoffensive and accessihle, enough to satisfy the mildest and most uncertain taste. The show now at Marlhorough Fine Art througout May) makes the point.

But the show also marks the publication of the full *Catalogue Roisonné* (Thames and Hudson: 343 pp; 249 plates—51 colour: 6/6 cat. illus; £55), with texts by Alan Bowness and Luigi Lambertini. It eertainly does Pasmore proud, an exhaustive review of a life's work, beautifully presented: and if doubts exist about his final atanding, there can be no dooht of his scope, energy and application. An artist's importance does not rest necessarily upon absolute success; and Pasmore's achievement, though flawed, remains admirahle, the book an appropristely generous celebration.

Galina Samsova and David Ashmole in 'Paquita' Leonard Burt

Covent Garden

Paquita/Playground

by CLEMENT CRISP

Sadler's Wells Royal Ballet has come to the Royal Opera House for a series of performances during the next two weeks. The visit began on Friday night with the regrettable *Grosse Fuge* by Hans van Manen, which I think of as a display by the Sodom and Gomorrah League of Health and Beauty, but progressed to serious matters with *Playground* and *Paquita*.

Playground is MacMillan's dramatic *scena* for dancers, set in an asylum, and pitched from the very first on a note of high nervous tension. The action is of unrelieved, haunting sadness, with mental disturbance presented in what seems a naturalistic language, but one only possible for dancers to use. In its black, anguished way *Playground* is cathartic: the rite finished, we are released. Performances by the SWRB artists are sure, carefully detailed. Marion Tait is unbearably sad as the epileptic heroine, and the culminating moment when she smears away the make-up daubed on her face is authentic tragedy. Desmond Kelly is again the dangerous intruder. I preferred the cool, menacing reading he gave at the ballet's première in Edinburgh, but I recognise the power of his present more obviously deranged portrayal.

Audiences may be distressed by *Playground*—though it is hardly more extreme than the final scene in *Rake's Progress*—yet it is impossible to ignore its force, or the tight-knit identification between dance and Gordon Crosse's taut score.

Paquita is new to the SWRB repertory this spring, and most welcome. A version of the celebrated *Grand Pas* which Petipa concocted a century ago and interpolated into a Romantic extravaganza about the Peninsular War, it is revised by Galina Samsova from her memories of the staging she knew in Kiev. (I have reported on the magnificence of this choreographic gem in the Kirov repertory, most recently in a Paris showing, with the celstial Chenchikova as its star.)

Every praise to Samsova as producer, coach, and ballerina for this production. In an opulent gold-swagged set by Peter Farmer, Samsova and David Ashmole—the only man involved—lead 14 soloists in a cascade of entrées, variations, and a coruscation of mock-Spanish steps, that look as near Petipa as makes little difference, and are given with the first happy promise of real bravura.

Certain dancers may yet be over-stretched, but *Paquita* invites brilliance, and Samsova has already managed to banish some of the primness and dry academicism that is the curse of English classic dancing. Her young artists use space; arms and trunks have opened out to the choreography; positions look nuanced, rich in contraposto; the dance moves.

There are four beautiful variations for first soloists, in which I especially liked Sherilyn Kennedy. She fluffed a step or two, but movement rang out clear and joyous, and her line and the bright pulse to her dancing were admirable. Ashmole was in brave and unfussed form, racing through a coda in which there seems not even a breath between bursts of pyrotechnics. Samsova showed what is truly meant by the word "ballerina." The generosity of her manner, its broad sweep and air of unhurried ease, its absence of mannerism—physical or psychological—are required study. The classic dance is nobly there: grand, harmonious, thrilling, and in this case, radiant. To be savoured—like *Paquita* itself.

Elizabeth Hall

Music for the Wedding of the Sun King

by RONALD CRICHTON

On Sunday afternoon the English Bach Festival gave a concert performance of Cavalli's *Ercole amante*, the opera commissioned from the Venetian Cavalli for the wedding in 1660 of Louis XIV of France with the Infanta Maria Teresa. Presumably to placate the anti-Italian faction, the authorities also commissioned ballet interludes in the French taste from the king's favourite composer Lully, a Florentine by birth hut long resident in France and soon to become naturalised. Since the new theatre in the Tuileries was not ready, the production was postponed until 1662, hy which time Cardinsl Mazarin, champion of the Italian style, was dead.

The scanty information that has survived suggests that the opera was a failure while the hallet interlndes were a success. Yet on Sundsy Cavalli's *Ercole omante* came up fresh as a daisy, while Lully's contrihution, presented by itself in the evening as *Hercule amoureux*, at least in the guise we heard it, seemed mostly dead stuff. Though the usually informative EBF programme said nothing, and Michael Turnbull, who gave a useful talk in the Purcell Room between the two performances, did not make the matter entirely clear, it appears that the court poet Benserade was responsible for the ballet scenarios, and one Buti for the libretto set by Cavalli.

A prologue and five acts tell the story of Hercules, his wife Deianira and his son Hyllus, the rivalry of father and son for the Princess Iole, the bero's death from the garment smeared with the hlood of a centaur. But the tale is not very subtly slaoted towards the glory of Louis XIV. Juno, defeating Venus, ohtains immortality for Hercules, wbo in beaven is married to La bellezza (Beauty), Deianira being apparently discarded. One wonders how Maria Teresa interpreted the dénounement.

Cavalli's music flows with delightful ease, the grateful vocal writing instantly responsive to the Italian words, cbanging from mood to mood and rhythm to rhythm with an adroitness Massenet was to macth in French declamation two centuries later—but in Cavalli's day opera was still new, wbile Massenet had behind him a long tradition (largely established in fact by Lully). Michel Corboz directed the EBR Chorus and Baroque Orchestra. The edition by Luciano Sgrizzi, using a small continno including barpsicord, lute, organ and harp, applied the colours witb discretion. The lute playing if Nigel North gase especial pleasure. The chorus elearly found their varied, constantly effective music as singable as the soloists did theirs.

For the sololsts Miss Lalandi bad mustered an imposing hody of mainly young British talent with a visitor in the person of the Danish bass, Ulrick Cold, Herculean in height if not in vocal weight, singing the title role with nnfailing musicianship but directing bis tone down at bis copy, not out at us. Iole and Hyllus were Lynda Russell and Keith Lewis, the latter in particularly good voice, singing his solo scene at the beglnning of Act 4 from memory, and heavens! what a difference that made.

The Delanira of Della Jones was eloquent and touching—Miss Jones can make one almost physically feel the shape of a vocal line even when she does not pitch every note qulte accurately. Linda Finnie was a vehement, commanding Juno, represented here (for diplomatic reasons) as a much more sympathetic character than usual. Lesley Garrett's lively, chattering page made one regret the boy's early disappearance. Ann Mackay, Rosemary Hardy, Peter Hall and Jobn Tomlinson filled in valuably, often in more than one role.

For Lully in the evening a different contingent of the EBF Baroque Orchestra, now seated on stalls level, wss directed from the harpsichord by John Toll. Comparative results did not suggest that a full-time conductor is an unnecessary luxury. On stage the EBF Dancers, choreographed by Michael Holmes and costumed by Derek West, went through their period paces. Such of the Lully music as has survived was played straight through with one interval. Some pieces were given with two or three dancers holding a pose, some with an empty stage.

Revivals of Lully in other places have shown him as a thorough professional quite able to look after himself even today. Very probably these dances heard in context would work well enough. Played on end they made Spartan entertainment even with the occasional distraction of nodding plumes and scarlet cloaks. There is the rhythmic interest one would expect from a composer himself an expert dancer, but little of the sensuous warmth to be found in his vocal writing. When Ann Mackay, with beguiling sweetness, sang the number called "Coocert de Véus" everything sprang to life. There was a large, appreciative audience.

Elizabeth Hall

Nicolas Economou

by DAVID MURRAY

The publicity for Mr. Economou's piano recital on Thursday promised something of a wild man, an importunate daredevil, and one went in trepidation. In fact there was nothing to blench at, and a great deal to admire. He is a 27-year-old Cypriot with some unspecified Russian background, and a technique of extraordinary security. He plays with urgent spontaeity, bnt that incurred nothing more extravagant than a rather fast Allegro for Haydn's late E-flat Sonsta and a hectically fast Presto. Even there, the amount of musical detail that survived was impressive.

He began with thoughtful, strongly sustained performances of preludes and fugues from Bach's "48," treated as bonest piano music without antiquarian resonances. The Haydn Sonata was delivered with hig, unforced tone—for all Economou's power h eoever seems to hang—aod impassioned conviction; one began to think he might be right about his speed for the Allegro. The op. 126 Bagatelles of Beethoven were made sharply etched miniatures, not the spectral afterthoughts they often become.

His bold attacks on Liszt's B minor Sonata was, I thought, triumphant. Apart from the sensational piano-playing, with some hair-raising speeds solidly held, the essential dramatic continuity of the work was seized whole-heartedly—it is full of dangerous transitions, and Economou found a perfectly convincing treatment for every one, to the vast henefit of the whole Sonata. Overwhelming climaxes were carried by the confident scale of the reading. If self-conscious study had gone into it, that wasn't to be detected anywhere—it all had the rin gof immediate musical feeling. "Excessea" there may he in Economou's work: would that more pianists were capahle of them!

Shaftesbury re-opens in September

The Shafesbury Theatre, closed for some time and with doubts about its future, is to reopen in September with a Broadway hit musical. Ray Cooney is to preseot *They're Playing our Song*, with the book hy Neil Simon, the music hy Marvin Hamlisch, who was responsible for Chorus Line, and the lyrics hy Carole Bayer Sager.

The stars for the West End production in what is hasically a two-hander are Tom Conti and Gemma Craven. *They're Playing our Song* opens in a refurhushed Shaftesbury on September 18.

Festival Hall /Radio 3

Los Angeles Philharmonic

by MAX LOPPERT

Friday evening signalled the start of a four-week tour by the Los Angeles Philharmonic. We last beard the orchestra under its previous chief conductor, Zubin Mehta; this concert was a belated introduction to the régime of Carlo Maria Giulini, now entered upon its second year.

From this evidence we may fairly infer that he has groomed the players into an amenable, spirited and accomplished ensemble of not quite front rank. The strength lies in the strings. The first sentences of Mahler's Tenth Symphony Adagio showed an impressively lithe, evenly surveyed viola line; violins struck into their pathos-laden arches with an urgently muscular attack; the solo cello was both poetic and purposefully nnderstated. The blend of woodwind tone was not altogether smooth, and individual members tended to draw attention to themselves hy slightly uncomfortable means (in the Eroica Symphony, after the interval, the first oboe made a narrow, unyielding sound). There seemed a want of roundness and depth, if not of character, to the full orchestral sonority; and a general criticism of Friday's performances — quite possibly the effect of an unfamiliar and acoustically by no means welcoming auditorium—had to be a shortage of soft playing; only in the Eroica Scherzo did the music-making at last attempt to venture beyond the middle-to-loud dynamic range.

The concert, full of enjoyable and musicianly things, was not quite the occasion promised. As always, Giulini's Beethoven brought with it the pleasure of hearing the music lyrically phrased, each curve moulded with a paternal affection, each department invited in turn to sing its music rather than mindlessly hammer it out. The opening, patiently inltiated at a much-moderated *ollegro con brio*, immediately summed up the style. For those wbo prefer their Eroicas marked by a necessary touch of grit, who look forward to symphonic conflagration during its course and a glorious hlaze of triumph at the close, the lovingly lyrical approach must inevitahly arouse dissatisfactions. (Tha timpanist was isolated to the side of the platform, rather like the side-drummer in Nielsen's Fifth Symphony; surely he needs to play a more centrally supportive role in the building of the structure.)

The Mahler Adagio had been no less lovingly proposed, but in a way that worked to the full glory of the music — Mahler's painful bitter-sweetness emerges unfettered when not wrenched out of the players, when his lyrical inspiration is given ardent expression. If after this reading we did not feel (as Michael Kennedy suggests we should) that "all the European music of the 1920s seems to be stirring in the womb of the movement," Giulini encouraged us to take a look hackwards, a no less moving manner of experiencing Mahler's music. The only trouble was that one wanted more—knowledge of the Deryck Cooke performing versioo of the symphony now leaves a residual impatience with its second Festival Hsll concert, on May 25, the orchestra plays the Jupiter and Patbetic Symphonies.

INTERNATIONAL SELECTION BY TREVOR BAILEY

Greenwood has the easier choice

RON GREENWOOD has named a strong squad of 27 for the Home Internationals. Francis and Mills are missing through injury but he will still be able to field a powerful team.

This is bardly surprising as our Football League clubs have been dominating Continental football. Nottingham Forest, the bolders, are again in the European Cup Final, while Arsenal, have reached the final of the Cup Winners Cup after a memorable performance in Italy.

The Italian match was really more impressive than Arsenal's persistence in overcoming Liverpool in the FA semi-final saga.

Although Liverpool, Arsenal, Nottingbam Forest and Ipswich rely considerably on non-English players there is sufficient home talent to provide a highly competent and professional international side, possibly even a great ooe.

In sharp contrast, England's cricket selectors have a difficult job finding an 11 capable of withstanding the West Indies, even though the tourists' performance and behaviour in New Zealand indicates that it is not impossible.

A cursory look at individual performances to date, illustrates the problems facing Alec Bedser and Company. Daniel van der Bijl and Wayne Daniel are already among the wickets. They are a formidable opening pair and conld well play a part in winning the Schweppes Championship for Middlesex.

Kirsten and Wrigbt recently enjoyed a highly productive partnership of 321. Turner exposed the frailty of the Gloucester bowling with a double century, and Miandad bas brought stability to Glamorgan's batting and has already averted one collapse.

The common factor about these feats is that they bave been achieved by players unqualified for our national exceptions our home products bav emade a less spectacular start to the summer.

Two batsmen—one a certainty for the England team and the other a probable—are Gooch and Tavare, who have begun impressively. Inevitahly, Boycott has followed up hours of intense application in the nets with some run rewarding sessions in the middle.

In the past, when life was less complicated and international players not involved in seven different variations of the game, Gooch would now be well on his way to the target of a thousand runs in May.

However, bis fina form is good news for England, as a batsman needs the confidence that comes from runs rather like a successful poacher in football requires the confidence that comes from goals.

Other possible contenders for England places and batting could well inclnde Rose, wbo scored a match-winning century on Sunday, the conscientious Lumb and the elegant Woolmer.

It is interesting to note that all three, as well as Boycott and Gooch, are openers. The reason is that in an era of ao much limited overs cricket, number one is ohvionsly the most propitious place to bat, as one can alwaya afford to have a careful look at the bowling and adjust to the pltch, even on Sunday afternoon scrambles.

There never bas been a problem in cbosing outstanding batsmen and bowlers, because over a time they will stand out through the runs they make or the wickets they take. Everybody knows that Wright, Howarth, Gavaskar, Boycott, Turner, Miandad and Lamb will finishe close to hte top of their county's batting averages at the end of this season.

However, figurfes can be misleading wben selectors are forced to choose a batsman against the West Indies wbo is no more than a good county performer, and lacks true international class.

In that situation, a batting average of 50—bolstered by big scores against for example, the universities Northants, Gloucester and Hampshire—could well mean less than an average of 38 which included runs aganist Middlesex, Notts, Sussex or Surrey, who all possessed formldable pace attacks.

Our selectors need to find two, possibly three batsmen capable of scoring centuries against quality pace bowling supported by brillant fielding. They will be looking for players with the ability to play straigt, possess the right temperament and are not frightened. Fast bowlers scent fear as eagerly as dogs a bitch on beat.

TENNIS BY JOHN BARRETT

Records set in week of contrast

TWO EVENTS last week, of vastly different status and separated by 8,500 miles, each in their own way, contributed greatly to the growth of tennis.

In Dallas, Texas, the tenth World Championsbip of Tennis finals were staged with their customary sleek professionalism in a new home—the $25m Reunion Arena—and in front of a capscity crowd of 17,500.

There, Jimmy Connors became only the second man to win two WCT titles (the other was Ken Rosewall in 1971 and 1972) when he scored s 2—6, 7—6, 6—1, 6—2 win against John CcEnroe, the title-bolder and the man wbo bas replaced him as the U.S. No. 1.

It took Connors two bours 50 minutes to wrest the title from the player wbo had beaten bim in hoth the Dallas snd U.S. Open semi-finals last year. As so often it was the tie-break that proved decisive. Once Connors had captured it by seven points to four to level the matcb he hegan to bit those full-blooded, punishing drives that are so excting to watch and so devastating for an opponent.

By the end Connors was paying exery bit as well as in bis golden year of 1974, wben he won the Wimbledon and U.S. titles and ended the year ranked as world No. 1.

Last week's $100,000 first prize was the last thing he was thinking about. He was really out to prove that he can still beat McEnroe on the big occasion. He achieved this magnificently but has yet to prove that he can master the current world cbampion Bjorn Bork wbo was not at Dallas.

Far away in Dubai, the BP Dubai Classic was also setting records. The eight-man field, divided into two round-robin groups, was playing on a court laid over an ice rink at the Al Nasr Leisureland Sporting Complex.

This was breaking new ground technically and with the high local bumidity there were early problems witb condensation on the synthetic carpet court.

Careful juggling with the temperature balance between ice, floor surface and air, and adjustment of the bumidity level solved the riddla in the nick of time.

After respectable attendances of between 500 and 1,000 at the mid-week sessions there was a complete sellout for Saturday's final between Britain's Mark Cox and the left-banded French No. 2 Patriee Domioguez.

Even more eocouraging was the volume of applause for almost every rally as Cox beat Dominguez 6—3 6—4 to claim the first prize of $12,000. It proved that there is a market for professional tennis almost anywhere in the world provided that the package ia correct.

While Connors and McEnroe journey north to New York for another WCT special event, the Tournament of Chamoions at the Forest Hills Stadium, the former home of the U.S. Open, the European season begina witb the Nations Cup.

Gathered in Dusseldorf this week are the eight leading nations according to the points standing of their players on the ATP computer ranking.

In ooe group with the holders Australia, are the U.S., Spain and Sweden. In the other group with the home country, West Germany, are Argentina, Czechoslovakia and last year's finalists Italy.

Last year's event played to capacity audiences and on the first day of this year's Cup yesterday the 6,500 capacity centre court was sold out to watch Sweden playing Australia. Wheo Borg defeated the Australian No. 1 John Alexander 7—6 6—2 in the opening rubber a Swedish victory was virtually assured.

In the second single, Lief Johanason made a fine start against tbe Australian No. 2 Pbil Dent by taking the first set without losing a game and he went oo to complete hia victory 6—0 7—5.

The U.S. beat Spain 3—0, with Harold Solomon winning 6—4 6—4 against the Spanish No. 1, Manuel Orantes, Gene Mayer defeating Jose Higueras 6—3 6—4, and Mayer and Sherwood Stewart beating Higueras and Fernando Luna 6—2 6—0.

The Nations Cup, like the Dallas and Dubai tournaments, has shown that there is a place for events of all kinds in the tennis calendar.

Next week we return to tha traditional cbsmpionship format with tbe German Open in Hamburg

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A policy for British Steel

MINISTERS may think that, once the row over the terms of Mr. Ian MacGregor's appointment to British Steel fades away, they can withdraw from the scene and let the new chairman get on with the job. If so, they are mistaken. British Steel is in the midst of a commercial and financial crisis which has been aggravated but not caused by the three-month strike. How much of the Corporation survives the next few years depends as much on government policy as on the skills of Mr. MacGregor. It is not enough for Ministers to say that *only* those parts of the business will remain which can become commercially self-supporting. That certainly is the correct objective, but the crucial decisions which the Government cannot evade concern the timetable for achieving visibility and the amount of financial support which will be made available in the meantime.

Sterling

Many of British Steel's problems since nationalisation have stemmed from internal weaknesses or from Government interference. In the early 1970s it launched a capital spending programme based on demand forecasts which proved wildly optimistic. But over the past 18 months British Steel has been hit by a combination of external factors which have had a crippling effect on profitability. Market pressures have held steel prices well below the rate of UK inflation; *yet in foreign currency* terms British steel has been more expensive than that of its main European rivals. Because steel is an internationally-traded commodity which is highly price-sensitive, it is peculiarly vulnerable to the effects of an over-valued exchange rate.

On top of this, domestic demand for steel appears to be declining more rapidly than anyone expected a year ago. Although a good deal of older plant has been shut down (and output per man has risen as a result), capacity is still out of line with the market. The present management wants to cut capacity from 21.5m tonnes to 15m tonnes by the end of this year; this would involve the loss of some 50,000 jobs.

The Government could decide that British Steel must live with the high exchange rate as best it can and that financial targets must be set in a way which compel a return to break-even in the very near future—even if this leads to the demise of a large part of the UK's steel-making capacity. It might be argued that bulk steel is not an attractive business to be in and that resources should be transferred into products of higher added value.

Yet the taxpayer has financed an enormous investment in new bulk steel-making facilities over the past few years. Is it right that these investments should be discarded? There is no evidence that other European countries, those steel industries are also making large losses, are planning to abandon the sector. On the contrary, even the West German Government is supporting it with subsidies. There is no realistic prospect that Western Europe can obtain all or most of its bulk steel from distant countries, rich in raw materials, such as Brazil or Australia. Steel, as long as it is efficient, should be a viable business for the advanced industrial countries.

The right course for the British Government is to draw up a programme which, without relaxing financial disciplines, gives the management a chance to steer the Corporation through the present crisis. Bulk steel making may need to be concentrated on fewer sites. Some of the newest units, designed for an annual capacity of over 30m tonnes are inappropriate for the smaller and more flexible industry, which is now needed. But if British Steel is to make the best use of its modern iron- and steel-making facilities further new investment will be needed at the finishing end, especially in continuous casting.

Looking ahead

Such investment only makes sense if the Government wants to see an internationally competitive steel industry capable of supplying the bulk of the domestic market. That involves looking further ahead than the next one or two years. Clearly a great deal depends on Mr. MacGregor's ability to raise internal efficiency; two immediate tasks are to simplify the structure of the Corporation and to carry through the local productivity improvements which were agreed in principle, when the strike was settled. But the first requirement is for the Government to establish a realistic set of objectives which will permit a well managed British Steel Corporation to return to viability within a reasonable timescale.

A new phase in Greece

YESTERDAY could mark the beginning of the end of a period of unnatural political calm in Greece. Civil wars uneasy conservatism, turbulence and dictatorship have constituted the painful history of modern Greece. But since the Colonels' junta fell in 1974 a fresh page has been turned.

It is a page on which the name of Mr. Constantine Karamanlis is writ large. In the past six years he has ensured that next January Greece will become the tenth member of the EEC. He has seen through the process by which Greeks buried finally, it seems—the fratricidal issue of whether their country should remain a monarchy. And he has introduced a new constitution, with a potentially influential President.

Striking career

For the past five years this post has been filled by his devoted admirer, Mr. Constantine Tsatsos. Yesterday, Mr. Karamanlis, who is aged 73, was able to obtain the three-fifths of the 300 votes necessary for him to take over.

It is, may would argue, a fitting culmination to a striking career. In the early 1950s he had been an effective Minister of Public Works. He was a surprise choice of the Palace to become Prime Minister, and he held that post, with a diminishing vote, until 1963. He then spent a decade in self-imposed exile in Paris, returning the night the junta fell to a rapturous welcome.

He did well in eliminating a junta which still plotted to return. Since then the army has been kept out of politics and built up to defend Greece against the perceived threat from Turkey. The island prison camps have been closed, political life liberalised and the songs of Mikis Theodorakis are back on the radio. Also, fair elections have been held.

Inevitably some of the expectations vested in Mr. Karamanlis have been dashed. His manner—aloof, rarely attending Parliament and never giving a Press conference—means that he inspires respect rather that affection. He has had troubles with an economy where investment has never picked up since 1974, where inflation is now around 25 per cent, and where the balance-of-payments deficit is soaring. Unemployment may be admirably low and growth have been rates well above the OECD average, but he and his Ministers have never really seemed to be sure of their policies.

Abroad he has had a marked success in stressing Greece's links with Europe—thereby slightly reducing his country's dependence on its special relationship with the U.S., which was resented for its support for the junta and failure to prevent the Colonels' coup in Cyprus and subsequent Turkish intervention. He has also brought detente to the Balkans, with improved relations with Bulgaria to some extent easing anxieties over a post-Tito Yugoslavia.

But the Cyprus problem remains unresolved. Further, and more important for both the Greeks and NATO, Athens is still enmeshed in a dispute with Ankara over the Aegean. This is weakening the Alliance since resulting problems are delaying Greek return to the military wing of NATO.

Quest for change

Most telling is that he has done little to satisfy the widespread calls for modernising Greece's antiquated social fabric and for opening the door to a younger generation.

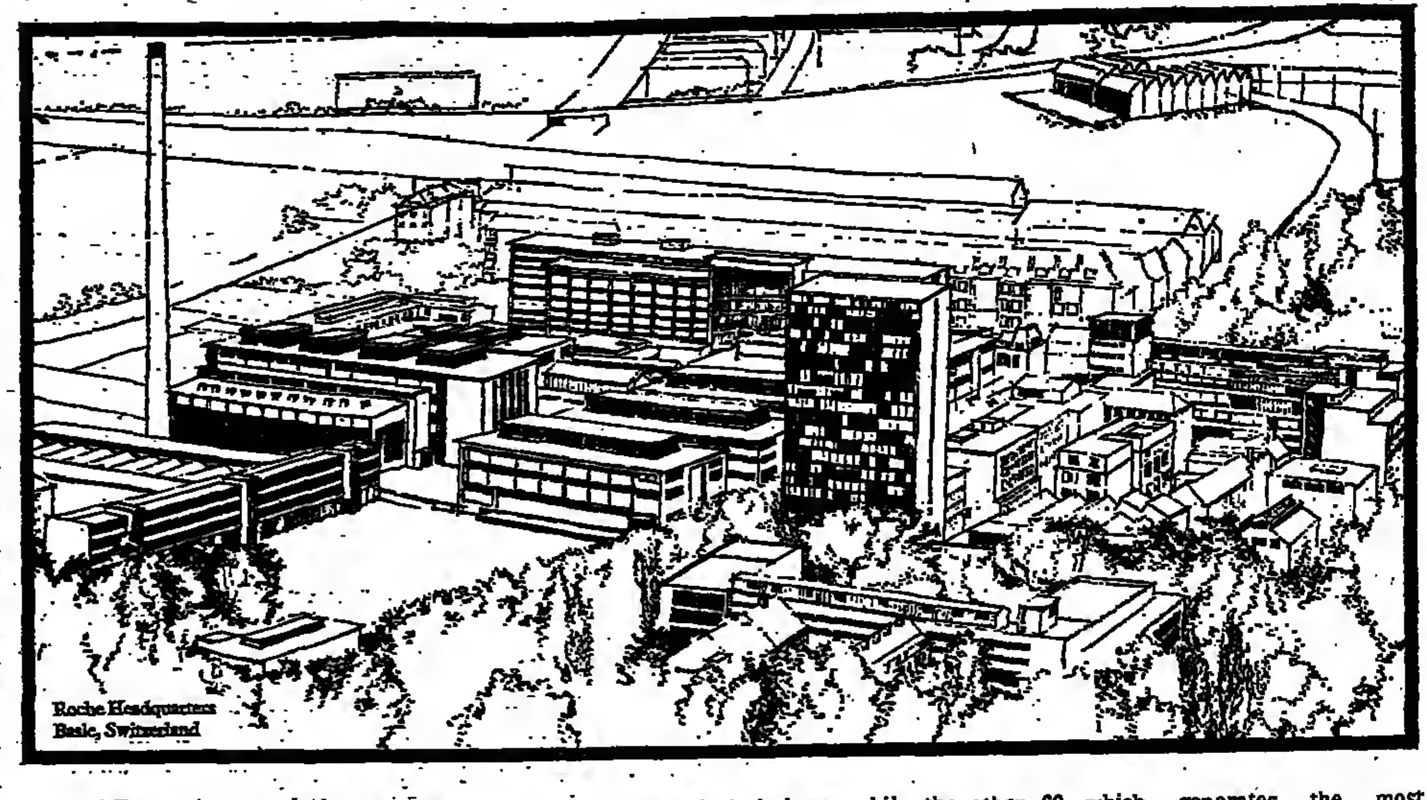
The one constant of Greek politics is the quest for change, and the socialist leader, Mr. Andreas Papandreou, however enigmatic a personality now embodies this quest. He opposes Greek membership of NATO and criticises the EEC. And he has undoubtedly narrowed the gap between his party and that of Mr. Karamanlis.

The next *Prime Minister* is likely to be one of the men who were with Mr. Karamanlis in the 1950s and are with him today. But none has the electoral appeal of Mr. Karamanlis and all will find Mr. Papandreou a tough adversary.

Mr. Papandreou threatens to undo the knots with West Europe for which Mr. Karamanlis would have history remember him. The elections to the Presidency have gone smoothly. The general election, to be held within 18 months may well generate more excitement.

Roche without Valium: an end to the 'beautiful times'

By SUE CAMERON, Chemicals Correspondent



Roche Headquarters Basle, Switzerland

HOFFMANN-LA ROCHE, the Swiss-based pharmaceuticals group, is slowly recovering from the effects of a massive overdose of Valium—its own wonder drug.

Valium started out as an important scientific breakthrough and proceeded to become one of the biggest successes the drug industry has ever seen. It catapulted Roche—then a solid but decidedly middle-ranking company—to the top of the pharmaceutical first division. At one point the tranquilliser accounted for some 60 per cent of the group's total drug sales of SwFr 2.525bn (£668m).

Roche, in its own words, became "unstoppable." But today what it nostalgically refers to as "the beautiful times" are over. Valium is reaching the end of its controversial, patent-protected life and it now provides only 25 per cent of Roche's pharmaceutical sales.

The blessings the drug has conferred on Roche have been mixed. Past profits from Valium are playing a major part in financing the group's current pharmaceutical research programme — and research is the lifeblood of any innovative drug company. But Valium has also left Hoffmann-La Roche with a decidedly tarnished public image. It has been widely accused of being over-priced and over-prescribed, the latter criticism coming from some doctors.

The tranquilliser has been recently criticised by the UK Committee for the Review of Medicines as being ineffective after four months, a criticism

ROCHE

which is expected to cause a drop in British sales of Valium.

Roche claims that headline-hitting attacks on Valium have been triggered off chiefly by governmental greed. It says that governments pay the lion's share of health care bills in most western European countries and Valium's commercial success therefore made it a prime target.

The drug's very success has created other, more serious problems for Roche. All pharmaceutical companies expect to see a fall in sales when the patents on a particular produce start to expire but Valium contributed so much to Roche profits in its heyday that its decline must inevitably leave a gap in the group's overall drug business.

Group sales (drugs and other products) totalled SwFr 4.844bn (£1.274bn) in 1978, with a net income of SwFr 201.2m.

Roche's present position is much like that of a film star after an enforced "rest." Actors who can no longer command top billing tend to seek new scripts and to diversify into autobiographical writing or film direction. Roche, which believes it will be able to climb back to the top of the pharmaceutical tree during the next four or five years, is also planning a comeback.

The sure-fire method for improving profits and prestige — as Roche's own experience has shown — is to come up with another scientific and commercial breakthrough. The group says that all drug companies "need one or two trump cards in the pack" and this is one reason why it is making a substantial commitment to new research methods.

The traditional way of discovering a new drug is to screen thousands of different chemical compounds to see if any of them are likely to be useful as medicines. A promising compound might be tested for use against arthritis and if the results are negative researchers *may perhaps see if it has any* impact on heart conditions or on the central nervous system.

The vast majority of compounds that are tested are rejected at an early stage — usually because they are totally ineffective rather than because they are injurious to man and beast. This whole approach to research is sometimes known—aptly enough — as molecular roulette.

But now Roche, in common with a number of other leading drug companies such as the German-based Hoechst, the U.S.-based Eli Lilly, the Swiss-based Ciba-Geigy and the U.S.-based Merck, is taking disease rather than cures as its research starting point. The group's scientists are investigating disease processes—studying the cellular mechanisms of the body with a view to manipulating them in the cause of health. Pharmaceutical man is aping nature—and with increasing promise of success.

Roche believes it "must be among the top half dozen companies using the latest biotechnology." It says it now has a "handful of products" that are being developed with the aid of new research techniques although all of them are at least three or four years away from a marketing launch.

The first product to go on sale is expected to be a heart drug although Roche is also using the new techniques in the field of inflammatory diseases such as arthritis. The company points out that it already has a "better choice of cardiovascular drugs than we have ever had before" and adds that "we would be unlucky if we didn't manage to come up with something in the heart disease field."

Roche seems to be keeping its fingers crossed that any new medicine which is developed using biotechnology will not be given the kind of publicity which accompanied

ROCHE

the launch of Valium. One popular newspaper stated in large black type that this was a drug that "tames tigers."

The group now spends around SwFr 700m (£183m) on pharmaceutical research each year. Only some 50 per cent of this is spent on innovative research—the rest goes on toxicological testing and on meeting the various regulatory demands of national governments. Roche estimates that about 40 per cent of its innovative research spending goes on projects which use the new techniques while the other 60 per cent is devoted to more traditional programmes.

The new research techniques have played some part in the development of Tigasone, a drug for the treatment of skin diseases which Roche is planning to launch this year.

Roche has not abandoned the traditional screening of chemical compounds. It says there is room for improving screening methods and it will continue to use them for many years to come. But it adds that its research budget will be increasingly loaded in favour of biotechnology.

The use of biotechnology in developing new drugs has been made possible by a series of advances in more fundamental scientific research. Roche has contributed to these financially through the Institute for Immunology at Basle in Switzerland and the Roche Institute of Molecular Biology at Nutley, New Jersey in the U.S.

Both institutes are funded by Roche but they operate independently of the company—which means Roche has no monopoly on their basic research findings. Academic independence is most marked at the Basle institute which says almost proudly—if with a touch of defiance—that "we are not really contributing anything to Roche."

Scientists at the Basle institute—there are 50 of them altogether—seem to view the world of commercial drug research with a certain amount of disdain. One pointed out that the discovery of a cure for cancer would add 1.5 years to the average life span whereas a cure for heart disease would add a full 15 years. Yet it is the search for a cancer cure which generates the most excitement among the public and in the medical world.

"There are more scientists living off cancer today than there are people dying from it," he commented drily.

Much of the basic research work carried out at the Basle institute is devoted to studying the "complementary antibodies which are created against any substance which goes into the body." Scientists there have managed to clone antibodies and the cover of one of the institute's recent annual reports bore a stunning photograph of 10 cloned frogs. Lay questions about the possibilities of cloning human beings—Bokanovsky twins by 1984?—are cut short by an academic discussion of ethics.

Roche itself attaches great value to the research done by the institute but it is now beginning to feel that academic independence can be taken to the point of absurdity.

It is planning to strengthen the ties between the Basle institute and its own commercial research department. The company does not intend to merge the two—far from it—but it says it would like to see greater dialogue between its own researchers and the institute scientists. Roche stresses that its proposals will not undermine the institute's independence and cites the close links between its own scientists and those of the Institute of Molecular Biology in the U.S. It claims the system in the U.S. works well and has met with approval all round. But although Roche's plans seem eminently reasonable there are signs that the scientists at Basle will fight hard to maintain their present aloofness from the company. They are satisfied with the status quo and they say firmly that they are not in the business of research directed to commercial ends.

One of the developments that has come from biotechnology—underpinned by more fundamental research—is interferon, a natural protein that helps to regulate the body's own immune defences. Roche is looking at interferon—as are some of its major competitors. But the company believes synthetic interferon may first be used not as a human drug but for the "vaccination" *of plants against* disease.

The commercial implications of protecting plants in this way would be considerable — the need for traditional crop spraying would disappear. And Roche is now taking an interest in agrochemicals albeit on a small scale as yet.

The group's pharmaceutical operations account for 48 per cent of its total business while vitamins and fine chemicals account for 29 per cent, scents and flavourings for 12 per cent and other, smaller divisions such as cosmetics, diagnostics and agrochemicals, for 11 per cent. But Roche is now trying to broaden its product range and diversify within the broad field of health care. The development of an agrochemicals business is one of the options open to it.

But the group is also putting considerable effort into its vitamins operation. It expects the vitamins market to grow at the rate of around 5 per cent a year over the next five years and it *is carrying out research* in this field.

It is building a new vitamin C plant at Dalry in Scotland and says it is *planning* its invest-

ROCHE

ments in vitamins to take full advantage of the market as it expands. It is also doing its best to encourage the market to grow. At present it is using much of its research evidence to try to persuade Europeans to develop the same enthusiasm for vitamins—either "neat" or added to foods—as the Americans have.

As part of its health care diversification programme, Roche is also keeping a weather eye open for suitable acquisitions although it stresses that it is not on a desperate hunt for purchases.

It believes its overall development programme will bring in steadier—if less spectacular—profits than in the days when Valium was at the height of its performance.

But it is not neglecting Valium, which continues to be a strong seller despite the existence—according to Roche's own estimates — of some 700 *imitations.* Many of them are said to be made by Italian companies which export them to lands where patent laws do not run.

MEN AND MATTERS

Coming home to winter

Christopher Castleman, Hill Samuel's home-grown whizz kid, spent the Bank Holiday in a more salubrious place than most —"in the Seychelles or Mauritius," according to his office in Johannesburg yesterday, "having a rest."

Cynics in the City might feel that he *will* need to relax a little before he contemplates the full implications of his new job as deputy chief executive of the *none-too-sparkling* Hill Samuel group. He returns to London in the autumn, and can expect to take over the helm of Hill Samuel within the next four years. "I'm 56 and I'd hope that he would take over from me before I come up to retire at 60," the present chief executive, Sir Robert Clark, tells me.

Castleman, who is only 39, joined what was then M. Samuel in 1963 armed with a First in Law from Cambridge; he worked his way up via the corporate finance department, the Australian subsidiary—at present Hill Samuel's most successful overseas operation—and now Hill Samuel South Africa, where he is managing director. One of his achievements there has been to divest the subsidiary of its property interests, which are to be liquidated.

He was covered in glory during the Australian Stock Market boom and *subsequent* crash, of 1969-70. "He managed not to lose us any money," says Clark succinctly. In one account *of the boom,* Castleman is described as "perhaps the most capable of all the overseas merchant bankers who arrived in *Australia* in the late 1960s." Specifically, he is given credit for seeing before anyone else the approaching crash of Mineral Securities, a go-go investment group with which Hill Samuel was closely involved.

His two-year term in South Africa, now drawing to a close has, according to Clark, greatly improved its profits.

One can only hope that Castleman proves to be the great white hope for which Hill Samuel seems to have been searching for so long. "He is very bright and very nice," says Sir Robert. These two qualities, available in some quantity to Hill Samuel, do not as it seems, to have done must good in the last few years.

Action replay

International readers may be unaware that they alone were able to read my daring revelations last week about the Forestry Commission; the Houston wardrobe engineer, the Canadian racket of insuring dogs and then squashing them, and much else besides.

Sadly none of this hot news reached Britain, where certain local difficulties affected production. Among the lost words was a note concerning the Leeds-based clothing company W. L. Pawson. I have been asked to point out that the Boar does not, as I may have implied, been worried about a number of recent executive departures. Managing director Stanley Wootliff assures me Pawson's future is bright, and he wishes his ex-employees well in their new rag trade and footwear venture.

Tea time

"A last fling" is how James Woods—who must be a contender *for the Grocer of the* Year award—describes his new job.

A Geordie who started his working life at 14 behind the counter of a Co-op in Newcastle upon Tyne, Woods is being either modest or shortsighted about taking over what some consider the toughest job in U.S. retailing. As chairman of the Great Atlantic and Pacific Tea Company (the famous A and P), his task is to turn round one of the longest-lived problem children in American business.

The company reported $13.5m losses in the final quarter of last year, suggesting once and for all that the heavily publicised retrenchment plan of his predecessor, Jonathon Scott, was more successful in reducing sales than losses. Over five years, Scott more than halved the number off stores; however, A and P still counts as the country's third largest food retailer.

A nearly protege of Sir James Goldsmith, Woods was for five years chairman of Cavenham Foods' U.S. supermarket chain, Grand Union, where he doubled sales to $3bn and opened over 300 new stores; shares in A and P rose 16 per cent on the news that Woods was taking over the $400,000-a-year job of running the company. . . . It is all a pleasingly far cry from selling quarter pounds of Typhoo in Newcastle.

"I've got him in training for his Day of Action"

3rd time unlucky

I note that the *Sheffield Fiesta,* the self-styled "No 1 Night Club in Europe," has just disappeared down the tubes in a fairly spectacular way. The Sheffield Fiesta Club Ltd., which traded for precisely 32 weeks, shows a deficiency of rather more than £500,000. To make a loss like that, I suggested to Tony Richmonds, a partner in joint liquidators Peat Marwick, you really have to work at it.

Not at all that hard, he thinks. The trading losses work out at £150,000, the difference between the cost and the realisable value of the fixtures and fittings, another £130,000. Another £200,000-odd disappears down a hole labelled 'termination costs,' which includes payments to the artistes to go away. The affairs of the club are thoroughly tangled; Richmon foresees a long haul. "It's the third it's gone bust since 1970," he tells me wearily.

Taking the tablets

What medical precautions should British businessmen, or indeed anyone else, take before going to Zimbabwe? Just try and find out.

An acquaintance heading south was told by British Airways to have himself vaccinated against smallpox. British Airways *Medical Centre* at Heathrow, on the other hand, said he should go as he was, unpunctured. BA Medical Centre in *Victoria* suggested typhoid injections and malaria tablets. The Commonwealth Secretariat ("We send more people to *Zimbabwe* than anyone so we should know"), said Cholera and typhoid injections plus malaria tablets.

Confused, he tried his tarvel agent. A more cautious man, he advised smallpox, typhoid, yellow fever and cholera injections, plus malaria tablets. The local medical centre said he did not need anything; his own doctor said malaria tablets. So did the BA officer representing Air Zimbabwe.

By this time the would-be traveller had less than 24 hours to go, and opted for the malaria tablets and a does of optimism. I hope he comes back.

Turning the knife

Overheard: "Of *course* I didn't talk to her, Edith—I didn't even ignore her."

Observer

FINANCIAL TIMES SURVEY

Tuesday May 6 1980

Finance and Investment in the U.S.

America will tend to become increasingly inward-looking as the months preceding this year's Presidential election pass by. Decisions about the direction of the economy may thus become secondary to political considerations. In all, the financial sector, already hedged by uncertainty, faces a difficult period.

Doubts in an election year

By Stewart Fleming

NOT SINCE the 1930s have the economic problems facing the U.S. seemed so intractable and the nation's political capacity for dealing with them so open to question.

Today, as President Carter's four-year term of office moves towards its end the realisation is growing that his Administration bas made almost no progress in solving the fundamental weaknesses which have begun to flaw the country's productive machinery.

Time magazine last month carried the headline "Is Capitalism Working" over a report which focussed on the performance of the U.S. economy. Even Senator Edward Kennedy, in his challenge to the President for the Democratic Party's nomination in the forthcoming election, is at least beginning to see the economic issues bite in his favour.

The President's advisers believe this change of mood has come to late to belp Mr. Kennedy. But they are grimly aware that any Republican challenger stands an excellent chance of making the charge of economic mis-management stick—no matter what other brickbats are around in October to throw at Mr. Carter, the presumed Democratic Presidential candidate.

What is happening is that the illusion of prosperity which has accompanied the four-year economic upswing in the U.S. which began in 1975 is being swept away. That apparent prosperity was founded not on rising productivity but a steady and pronounced growth in the U.S. labour force, mainly through the addition of more female workers, and on an explosion of business and private credit.

These forces, abetted by last year's renewed surge in world oil prices and the de-control of oil prices in the U.S., bave launched the U.S. inflation rate from a tolerable 4.8 per cent rate in 1976 to an annual rate of over 18.2 per cent in the first quarter of this year.

The steps that have had to be taken to try and curb the inflationary spiral have begun to turn off the credit tap for both consumers and businesses, leaving them to face the reality that for almost e decade now real living standards in the U.S. have stagnated. The immediate outlook is for a second successive decline in real income this year as the economy slides, at alst, into recession.

Already the moves to control credit have virtually halted bome financing. The bousing industry, on which the Carter Administration lavished such attention in 1978 to try and protect it from cyclical decline, is now beaded for its worst recession since World War II. Creditc nrbs threaten to pitch the U.S. motor industry into just as severe a slump.

Weakness

Unemployment bas begun to rise above the 6 per cent level where it bad been stuck for over a year. And crucially, employment is beginning to drop quite sbarply. Thus for the first time in the Carter Administration ordinary Americans are beginning to feel the impact of economic weakness on their daily lives. Their chances of losing their jobs are increasing and their ability to escape from declining living standards by borrowing has been compromised.

At such economic turning points it is easy to be blinded by the gloom on the borizon, so a number of qualifications need to be inserted at the outset. The first, of course, is that while certain sectors of the U.S. economy are in dismal sbape, partly because of short-sighted decision-making—the steel and car industries, for example—the U.S. industrial landscape still provides a generally impressive launching pad for a recovery in the nation's industrial fortunes once a consensus emerges about the need to tackle the weaknesses which are becoming so evident.

The problem, of course, is that it is hard to see that consensus emerging or to see the intellectual framwork being presented on which practical decisions could be based. There is mnch talk about the merits of "supply side" economic policies sucb as tax cuts and business de-regulation, aimed at stimulating productivity and investment. Sucb ideas may bave a part to play. But the problems already go much deeper than the simple solution of giving corporate America its bead which seems to lie behind this prescription.

Indeed, it is quite remarkable how quickly an inflationary psychology has taken root in the U.S. Whereas in 1973-74 when inflation accelerated into double digits (for a relatively brief period) Americans increased their savings, this time savings bave been run down to bistorically low levels as a "spend today" mentality has taken root. It is bard not to suspect that wben credit becomes available again investment in housing and property will again become a *top priority* for individuals anxious to protect their savings from inflation.

The financial markets are already in the process of adjusting to expectations of a protracted period of higb inflation, at best not far below double figures. This in itself will make it barder for businessmen to justify new productive investment—especially if they share the view expressed by Professor Paul Samuelson: "The U.S. economy still bas the potential for positive growth. As a realist I doubt we shall live up to that potential between now and 1985."

The picture is not uniformly depressing. Apart from the underlying strength of the industrial structure it is evident that the country is beginning to make important inroads into one of its most vexing economic and strategic weaknesses, the domestic energy problem.

It bas taken the best part of a decade, but after a succession of brave struggles President Carter has succeeded in exercising the infinence of his office and securing from a bickering and blinkered Congress legislation which already shows signs of reducing the growth of oil imports.

This victory is, in the short term, baving an adverse impact on consumer price inflation data wbich is in any case heavily *biased upwards* by *misleading* interest rate data.

It's significance bowever lies partly in the prospect it holds out of some loosening of the umbilical cord tying the U.S. and its dollar to the fortunes of a potentially unstable part of the world, bnt also in the evidence it provides that for all the weakening of the Presidency which followed in the wake of powers which remain can prevail when applied with enough determination.

The financial markets must bope that a similar commitment will be brought by the next President, wbether Mr. Carter or his Republican rival, to curb inflation.

Disillusioned

There need be no illusions however about the difficulties of implementing such a commitment. Already there are reports of welfare rolls swelled by disillusioned retired people who have swallowed their pride and sought the support of food stamps to eke out their fixed incomes. The recession appears to be getting underway at a time wben already in the nation's ghettos black male unemployment ranges from 11½ to 37.9 per cent depending on wbether you count all males or only teenagers.

Cities, municipalities and aid programmes are beginning to *feel the pinch of fiscal restraint.* This time around is may not be only Washington's coffers which are locked (at least while budget-cutting is the prevailing mood) bnt also the municipal bond markets, whicb no longer provide the attractive alternative they once did.

So far the U.S. bas avoided a wages explosion and a significant heigbtening of social tensions as a result of inflation. But the odds are shortening against sucb an event and the difficulties it would pose for balancing the competing political pressures which would result in Washington while trying to maintain an anti-inflationary commitment.

What now seems unavoidable, bowever, is a beightening of political tensions as the unequal burden inflation throws on different interest groups becomes more apparent. The emerging cballenge for Washington will be to balance these competing political pressures over a period of years while maintaining an anti-inflationary commitment and and the slow economic growth which will accompany it. Given America's history of material prosperity and the emphasis at all levels on growth and success, it is hard to overestimate the difficulty of achieving such an objective.

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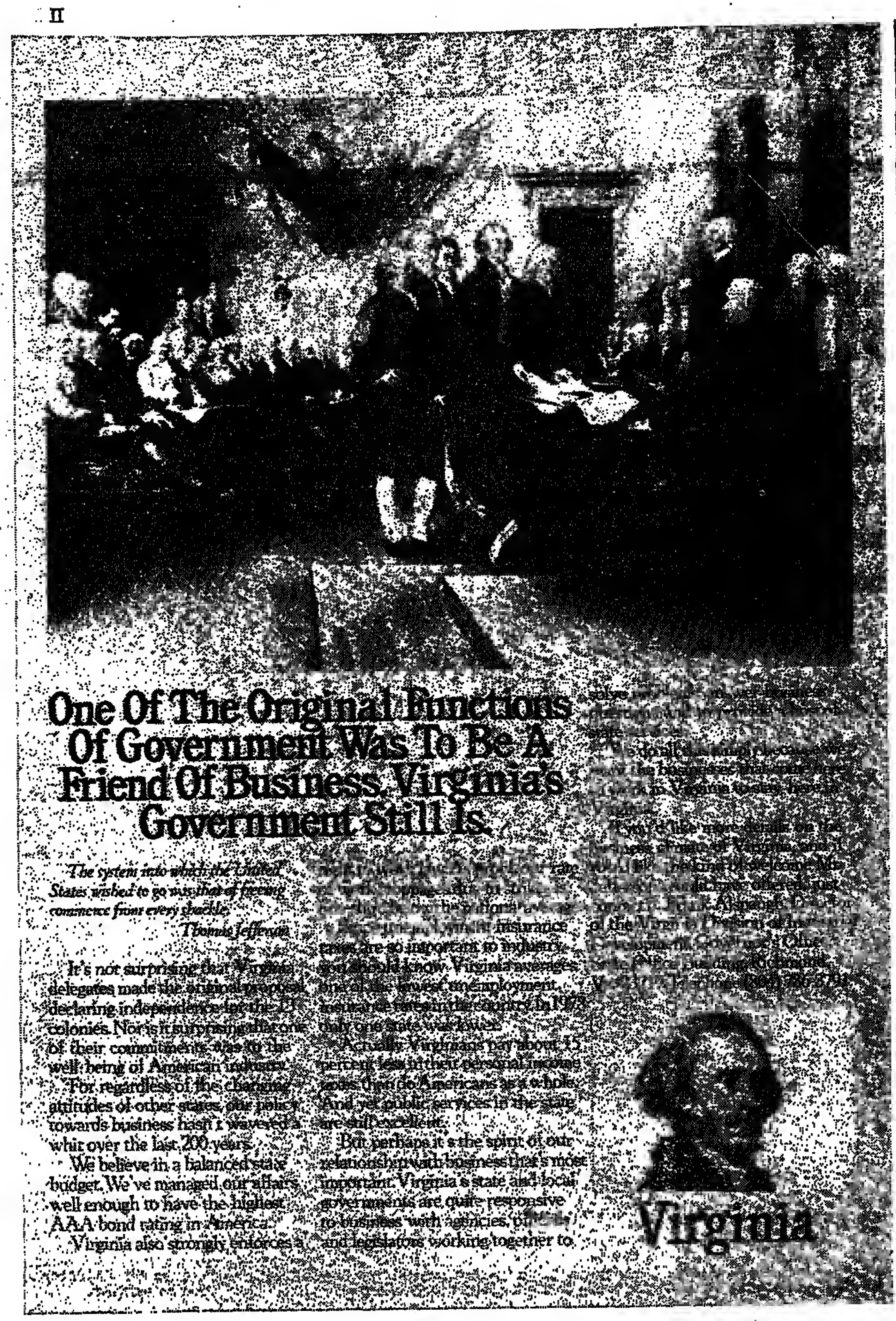


FINANCE AND INVESTMENT IN THE U.S. II

Articles on this and the following page by Jurek Martin, our U.S. Editor in Washington, and Stewart Fleming of our New York staff, review the general economic background to the survey, including White House policy, the world role of the dollar and the operation of the financial mechanism.

Priority task is still to beat inflation

AT LONG last everybody in the U.S. is agreed on one thing—the economic recession has arrived. It has taken a long time coming as the resilience of the economy has defied just about all Government and private experts. But now that it is here, the debate has switched to an area on which few can agree—its duration and severity.

The recession probably finally started some time in early February and was certainly mad eirrevocable by the credit control and fiscal package handed down by the Carter Administration and the Federal Reserve a month later. However, from a technical standpoint, a recession constitutes a minimum of two consecutive quarters during which the Gross National Product (GNP) fails to grow in real terms—and last gasps of consumer-inspired expansion in January meant that in the first quarter of this year GNP managed to achieve a modest real advance of 1.1 per cent at an annual rate. The second three months are likely to tell another story.

Yet the process by which the Administration has finally been able to engineer a recession has been tortuous in the extreme. It even included the unprecedented spectacle of a Uresident of the U.S. going to the country and pronouncing, as Mr. Carter did in March, that the budget which he had unveiled with such fanfare six scant weeks before as being suitably austere was nothing of the sort.

The intractable villain, of course, and the rock on which the Carter Presidency could yet founder, is inflation. Not for more than 30 years had the nation experienced the 18-20 per cent rise in consumer prices it suffered in the first quarter of this year. The nearly 13 per cent advance of 1979 was bad enough, but Americans had shown remarkable resilience in absorbing its impact, cushioned as they were by ample supplies of credit.

There has been considerable legitimate debate over whether the consumer price index (CPI) weighted heavily in favour of the housing factor, is the best indicator of inflation. Certainly it runs many percentage points higher than broader-based measurements—one of which, the GNP deflator, is still hovering at just below double figures. But consuming though the arguments may be for economists, in the simpler world of politicians, especially in an election year, it is the CPI which is the most visible.

The Carter Administration has consistently claimed that it was the soaring increases in the price of oil, courtesy of OPEC, that rendered inflation so difficult to control. Conservative economists view the Government as the perpetrator of inflation by the magnitude of its deficit. Mr. Carter may, in retrospect, have been unwise to promise so early in his Presidency that he was committed to the goal of balancing the Budget, because it was a target which for over three years he eschewed until in March he was forced to revert to it.

Thera is broader agreement that the brunt of the battle against inflation has been borne by the central bank, the Federal Reserve, since last autumn under the firm direction of Mr. Paul Volcker. It is Mr. Volcker who has conducted a progressively more severe squeeze on credit since assuming the reins. The draconian measures he introduced in March—just six months after what appeared to be an aggressive package in October—really ought to be seen as the culmination of a protracted period of restraint.

Finally, with the consumer apparently exhausted, the restraint is beginning to show dividends, though the cure is not proving pleasant. Some sectors are in agony. Car sales, weak at the beginning of the year, collapsed at the end of March to an annual rate of a meagre 6m units. Housing starts plummeted by 40 per cent in the same month compared with a year earlier, as builders were starved of credit, unable to afford what they could lay their hands on, and started to go bankrupt. The steel industry, buffeted by low demand and the pressure of imports, had recourse to substantial lay-offs and found the Administration deaf to its pleas for protection.

The most seminal event of the period, however, and one which caused genuine fear for the long-term stability of sources of corporate finance, was the plunge in the bond markets in the first quarter of the year. It was this, reflecting the dire inflationary expectations so prevalent in the financial community, which was the trigger for Mr. Carter and Mr. Volcker to tighten the screws in their March package.

Some of the broader measurements of economic activity are now beginning to fall into predictable place. Retail sales have begun to decline and unemployment to rise; in March it stood at 6.2 per cent, moving out of the narrow 5.7-6.0 per cent band in which it had been for more than a year. Normally, increase in unemployment in an election year is the green light for politicians to spend their way out of trouble. But unlike 1976, when Mr Ford failed to get the country working again fast enough, the issue is no longer unemployment but inflation.

Officially, the Carter Administration expects the recession, in the President's words, to be "mild and short." It envisages a 0.4 per cent fall in GNP from the final quarter of last year to the final quarter of this; a 12.8 per cent rise in consumer prices and an unemployment rate going up to 7.2 per cent by tha year's end. But it also expects next year's recovery to be modest at best, only achieving real growth of a little over two per cent and consequently little, if any, fall in unemployment and only gradual progress in the war against inflation.

Other private economists—among whom, it must be said, there is nothing like consensus about the future—warn that the depth of the recession, and its duration, may depand on whether or not the current fiscal and monetary austerity goes too far. There is clearly a fine line between what Governor Henry Wallich of the Fed describes as "crunchiness" and downright cannibalism.

The financial institutions—saddled, as many are, with long-term loan commitments which are ruinous to finance at current interest rates—are not too well prepared to handle a prolonged squeeze. In April the Fed was forced to rescue the First Pennsylvania Bank of Philadelphia with a $500m package (the financial equivalent of the Government's even more costly attempt to keep Chrysler from the scrap-heap), as well to play a role in minimising the fallout of the collapse of the Hunt family's silver buying spree. Although interest rates have slipped from their earlier peak, they have not dropped to the point where the financial institutions can breathe easily—and it is on the continued flow of a reasonable amount of finance that the necessary expansion of the real economy depends.

Unfortunately the U.S. has now discovered that this is not entirely a question of internal economic and financial management. The dollar has strengthenad precisely because interest rates have been so high but it is vulnerable if they fall.

There are few pessimists who believe that the recession will be of 1974-75 magnitude; nor is it likely to bite evenly across the country. As ever, the weakest areas are the older industrial cities and States. But their frailty contrasts strongly with the paten economic vigour of large segmens of the country—the South West, for example, parts of the deep South, and the West Coast.

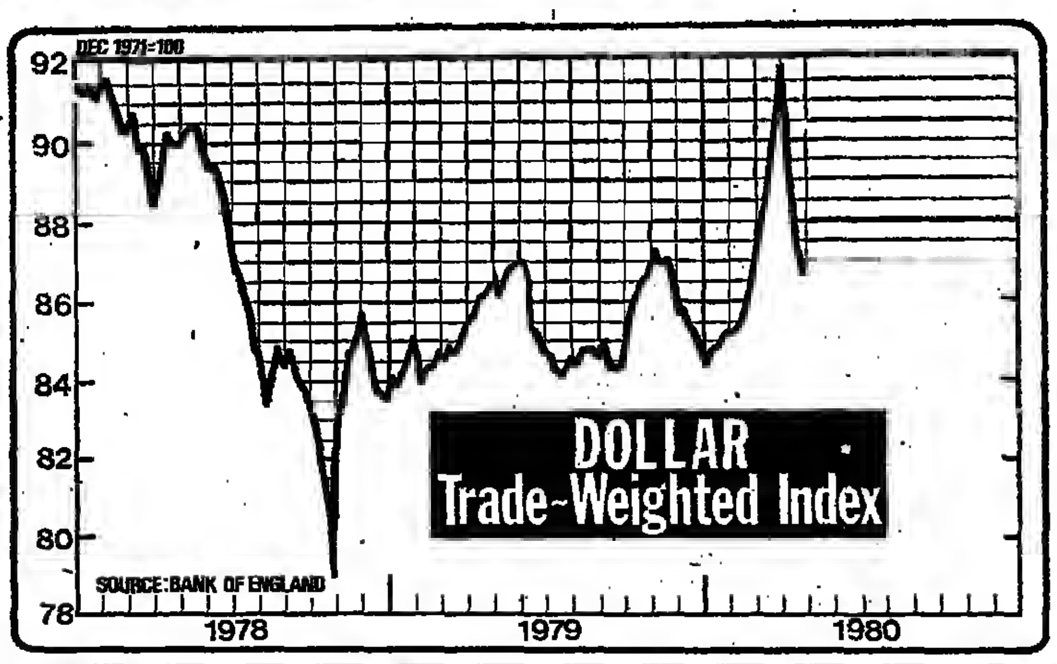
Nor is there any isgn yet of serious impairment of the capabilities of one of the great underpinnings of the U.S. economy, its efficiant agricultural sector. This Administration has proved itself extraordinarily sensitive to the well-being of the farmers and in the past month has sought, by a variety of targeted Federal programmes, to alleviate the worst cost of high interest rates so as to ensure adequate spring planting. This sort of subsidy—it has also been cautiously directed at other distressed sectors—tends to offend the purists but is hardly yet of a size to damage the viability of President Carter's intent to balance the Federal budget in the fiscal year beginning in October.

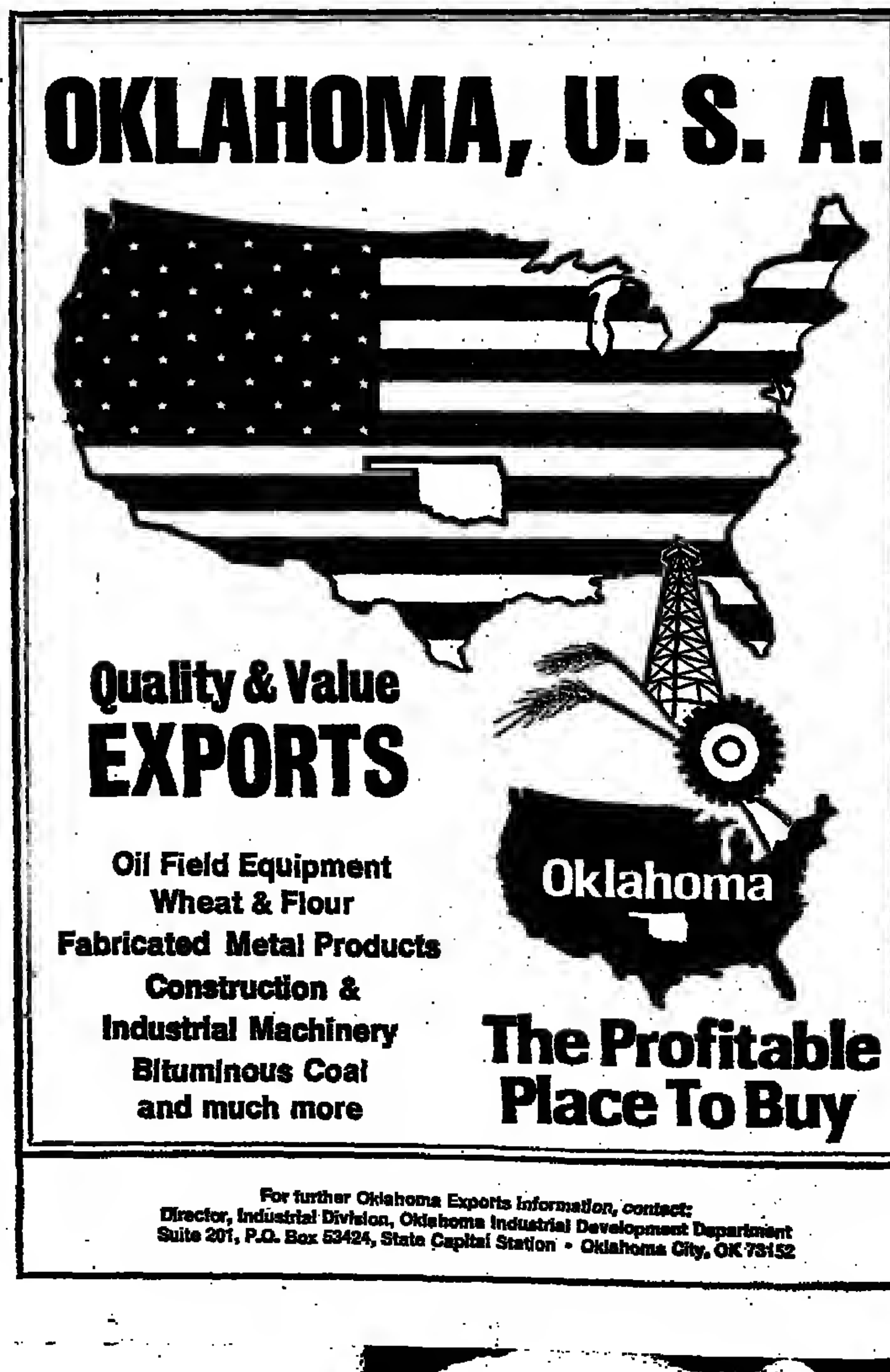
Thera are, howevar, other factors which could render that target elusive. International events have given substantial spur to the cause of those who want much higher spending on defence. Mr. Carter is now committed to increasing military expenditures by the best part of 5 per cent a year over a five-year span and the commensurate savings in a budget in which so much spending is uncontrollable are not easy to find.

In the Administration's view it is this factor, allied to the undeniable risks of exacerbating inflation, which makes unwise any *stimulatory tax cut*. The Republican view, according to most of the Party's leading politicis including its likely Presidential nominee Mr. Ronald Reagan, is that there is no incompatibility in the three-pronged approach of increasing defence spending, balancing the budget and cutting taxes all at the same time. It is an argument which is *gathering* strength, though wether it is enough to put a Republican President in the White House all of its own is another matter entirely.

The outlook for the U.S. economy, therefore, can hardly be described as rosy. If there is a consolation it is that so many other industrialised countries are in a similar boat and some (Britain, for example) in a worse one. It will all, it is hoped, have been worthwhile if at the end of it inflation has been brought under control. But there are so many uncertainties, external and internal, that few people would approach Mr. Volcker's discount window, assuming the unlikely prospect that it was open, to borrow money to put a bet on it.

J.M.





The dollar in the 80s

IT IS amazing what a difference a few months can make. Half a year ago in Belgrade there was no other subject for discussion among the Finance Ministers attending the annual meeting of the International Monetary Fund (IMF) than the febrile state of the U.S. currency, the escalating price of gold and the need somehow to restore order and stability in the international financial system. Mr. Paul Volcker, chairman of the Federal Reserve Board, with all this still flooding in his ears, a few days later introduced a package designed to reassure the global community.

Six months later, in Hamburg, the mood was entirely different. To be sure, it had taken another more severe U.S. economic and monetary package to influence opinion than that handed down by President Carter and Mr. Volcker in early March. But it is more significant that the dollar had, in this period, survived the sort of traumas that not long ago would have laid it even lower—the oil price increases of December and the bitter and continuing confrontations with both Iran and the Soviet Union.

Mechanism

Thus those Finance Ministers who had agreed in Belgrade on the need to create a mechanism to relieve nations of their holdings of surplus dollars came to the conclusion in Hamburg that such a device simply was not necessary—at least not at present.

The mechanism is of course the proposed dollar substitution account at the International Monetary Fund. A complex and technically controversial proposition, it would in essence have entitled countries to deposit with the IMF their unwanted dollars and receive interest-bearing instruments denominated in special drawing rights, the IMF's own reserve currency. Although the likely initial subscription to the substitution account—about \$20bn—would be but a drop in the bucket of the \$800bn overhang that had been considered a desirable beginning to the process of gradually removing the dollar as the dominant reserve asset, as well as enhancing the role to be played by the SDR.

That the substitution account was shelved at the Hamburg meeting was principally because the U.S. Government withdrew its endorsement. Mr. G. William Miller, the Treasury Secretary, went to great lengths to maintain that the U.S. had no objections to the concept in principle but was unhappy about its workings as drawn up by the Board of the IMF. Specifically it doubted that this year the U.S. Congress, not in the *most* generous of moods, would ever countenance U.S. contributions to a scheme in which the U.S. could be seen to be bearing an undue proportion of the exchange rate risk involved.

In reality Mr. Miller's objections were widely shared by other industrialised countries in varying degrees—both on technical and philosophical grounds. The nub was, and is, that the recovery in the value of the dollar over the last six months had simply rendered the whole idea non-viable.

Nevertheless, it was widely accepted that the U.S. Administration, in its conduct both of domestic economic and foreign policy, is walking a fine line and that the troubles of the American currency could return speedily.

If proof of this were needed, it was amply provided while the Hamburg meeting was in progress when major American bank began lowering their prime lending rates and a mini-rush out of the dollar began.

Syndrome

What of course has been crucial to the strength of the dollar this year has been the domestic factor. It is a classic syndrome only too familiar in Europe—that what is good for external consumption can cause pain to the domestic economy. Thus while the body politic in America has, perhaps understandably as well as properly, railed over the social impact of 20 per cent prime rates, the international markets tend to view much of a retreat from those levels with some disfavour.

Clearly the sea change in American offical attitudes, signalled by last October's package and reinforced with a vengeance in March, has been *profound*. The U.S., like much of the rest of the industrialised world, is now on the regime of real interest rates and will continue under it until it makes real progress in breaking the inflationary psychosis gripping the country. As the preceding article on the economy demonstrates, the Carter Administration has become naturally reluctant to promise too much too quickly and now foresees *only a gradual decline* in domestic inflation over the balance of the year—though a much sharper one if the astronomic 18-20 per cent increases in the consumer price index in the first three months of the year were considered to reflect the underlying rate of inflation in the economy—which they probably did not.

Yet if the recession which everyone now agrees has arrived damages key sectors like cars and housing as much as as the 1974-75 recession the determination of the Carter Administration to continue on its present course will be put to the test.

Since this is in the first place by no means a doctrinaire Government and in the second place is a Government seeking re-election there are good reasons for it to want to avoid a genuinely intense credit squeeze, with all the implications of financial and industrial collapse that carries.

The U.S. is caught in the bind of possibly conflicting domestic and foreign priorities. Clearly international confidence in the Government's abilities to manage both has been enhanced by the accession of Mr. Volcker to power at the Fed.

But over the longer term, the strong suspicion persists that the U.S. commitment to profound monetary reform has been substantially weakened by the passing from the innermost *circles of power* of Mr. Anthony Solomon, who left his post as Under-Secretary of the Treasury for Monetary Affairs earlier this year to become president of the New York Fed, an influential position, to be sure, but one more concerned with the execution than the construction of policy.

It was Mr. Solomon's seminal speech in Alpbach, Austraia, last August, which seemed to open the door that much wider on an era when the U.S. would accede to a gradual dimunition of the role of the dollar.

He was careful to point out that the political circumstances without which such evolution could not occur were not necessarily in place and that it would be hard for the U.S. to sacrifice a degree of control over its own economic destiny to an impersonal international institution, such as the IMF.

But the seeds were well and *truly sown, only* to be permitted to lie fallow by the recovery in the dollar's value.

Some factors had presaged an enhanced dollar in any case. The U.S. balance of payments on current account was all but in *balance in 1979. The* \$300m deficit was a fraction of the \$13-14bn range in each of the two previous years, a principal reason for the weakness of the currency.

This was not achieved by any dramatic improvement in the visible trade performance, though exports were stronger, thanks mostly to the increased international competiveness brought about by the cheapness of the dollar. But the trade account remained in the red by over \$25bn, while the bill for imported oil rose astronomically.

Offsetting this, however, was the substantial increase in the surplus the U.S. normally enjoys on so-called *invisibles*—financial transactions. The repatriated overseas profits of U.S. oil companies, in particular, and the surge in foreign investment in the U.S. combined to bring the current account books close to balance.

Before last December's oil price increase, the U.S. Government had even been projecting a current account surplus of as much as \$10bn in the 1980 calendar year. This optimism is now seen to be misplaced. Nevertheless the Administration continues to believe that any deficit can be held to manageable proportions, in spite of a still high oil bill.

Certainly, even allowing for the domestic credit squeeze, the U.S. does not appear to be facing undue difficulties in financing its own external deficit. Indeed, its view of global deficits, shared by many of its industrialised partners, is that, for 1980 at least, financing shortfalls will not be an insuperable problem, either in the developed or developing worlds.

It is accepted that such relative tranquility may not last much beyond this year—and *could upset* at the drop of a hat by external circumstances—and that, as a result, it would be prudent to set the wheels of another international recycling facility slowly in motion.

From a public relations standpoint, if no more, the Hamburg decision to authorise Mr. Jacques de Larosiere, the IMF's managing director, to proceed with recycling negotiations with the OPEC countries in the months ahead offered the impression of progress which might otherwise not have existed given the freezing of the substitution account.

In reality it may be more than a public relations exercise given a probable strains on the system in 1981 and beyond.

J.M.

Central bank given increased powers

ACCELERATING INFLATION in the U.S. has transformed the finacial landscape of the country in the past two years. Newer forms of financial instrument — money market certificates issued by banks and thrift institutions, for example, and money market mutual funds—have attracted billions of dollars of savers' money because of the attractive interest rates they offer. Banks have in effect begun to pay interest on deposit accounts. The long-term fixed income debt market has been savaged, and possibly permanently damaged, by an abrupt change in inflationary expectations in the opening months of this decade.

Alongside these changes in the market place, however, have come important shifts in the regulation of financial markets and in economic policy.

Some of these changes have been introduced by the Federal Reserve Board directly in its efforts to take a firmer grip on the growth of the money supply in order to fight inflation. In addition, however, Congress and the President acted in March to pass financial reform legislation.

At one level this legislation is aimed at reinforcing the central bank's ability to fight inflation. But it appears also to shift the burden of fighting inflation even more firmly in the direction of the Fed. For those economists who remain sceptical about the central bank's ability to shoulder that burden these moves are disturbing.

Throughout the current economic expansion which began in 1975 the Federal Reserve has been playing an increasingly isolated role in Washington in fighting inflation. The Administration's anti-inflation efforts through its wage and price guideline programme have been compromised by political bargaining and ineffectual leadership. Washington's critics continue to argue that *even* President Carter's budget goal for 1981 holds out little hope of a substantial cut in the growth of Government spending but promises mainly an expanding tax burden for the country.

Throughout the inflationary spiral of the past three years the Federal Reserve's performance has been persistently under attack. As the economy has obstinately refused to sink into recession and interest rates to peak in 1979, the criticism of then Fed chairman Mr. William G. Miller's "gradualist" approach to the growing inflation problem intensified. Then in July of last year, with confidence in the dollar sinking and the price of gold passing the \$300 mark, President Carter responded to rapidly shrinking confidence in his Administration with a major Cabinet shake-up. This took Mr. Miller to be Secretary of the Treasury and subsequently Mr. Paul Volcker, president of the Federal Reserve Bank of New York, to be chairman of the Fed in Washington.

Within six weeks, amid growing confusion and speculation the world's financial markets and in the wake of a grim meeting of the International Monetary Fund Mr. Volcker on October 6 announced fundamental changes in the Fed's conduct of *monetary policy* and a much stiffer anti-inflation stance. In its wake the prime rate at commercial banks, which opened the year at 11½ per cent, surged to a new record of 15.75 per cent by November.

Long-term Government bond yields, which opened the year just under 9 per cent and had risen to only around 9.3 per cent before October 6, rose to almost 10½ per cent by the first week of November, a fate of ascent which stunned investors but one which was to be repeated a few months later.

Behind the rise in money market rates was the Fed's announcement that *in its* efforts to control the money supply it intended to place greater emphasis on managing bank reserves directly rather than indirectly through a target interest rate for federal funds, the overnight cash banks lend each other. The implication seemed to be that interest rates would become much more volatile. On the other hand the shift also holds out the prospect of more direct Fed control of the money supply and therefore a more effective Fed monetary policy.

Although rates rose sharply after October 6, there was less volatility then some had expected. By the beginning of this year there were renewed fears that bank credit and the money supply were in danger of again getting out of control and the publication of January's inflation indicators showed that at an annual rate inflation was likely to be over 16 per cent in the first quarter. The bond markets plunged again, taking yields on long Government issues to new peaks of around 12¾ per cent in mid-February after the Fed raised its discount rate to a crisis 15 per cent on February 15.

Inflationary fears refused to be calmed, however, and a month later the Administration announced its budget-cutting measures. The central bank tightened its marginal reserve requirements on banks managed liabilities, imposed a "voluntary" credit growth ceiling for banks of between 6 and 9 per cent and took steps to curb consumer lending, moves which raised fears of a "credit crunch" in the financial markets and sent short-term interest rates surging, with the prime rate hitting 20 per cent later in the month. In April, however, the pressures seemed to be easing.

The shift in Fed policy in October towards reserve management and the subsequent reform of the money supply statistics were generally welcomed as likely to give the central bank greater control over the money supply and make it more likely that it would hit its money supply targets. The March package, however, with its voluntary restraint programme for credit growth and the suspicion that the Administration had pressured the central bank into accepting it, has left the financial markets uneasy about the precedent of Government interference in the allocation of credit and even more concerned about the powers the Administration has under the credit control legislation passed in 1969.

Moreover, the Monetary Control and Deregulation Act passed in March, while strengthening the Fed's hand by removing incentives for banks to quit the Federal Reserve system over a transition period stretching up to six years, removes regulations, such as Regulation Q ceilings on interest rates and restrictive State usury laws, which have distorted and curbed economic activity in previous economic *cycles and so helped to control* inflation.

Thus in the next economic upswing, which could well begin from a yet higher inflationary base than the 4.8 per cent recorded in 1976, the burden of fighting inflation could weigh even more heavily and directly on the central bank.

S.F.

U.S. INTEREST RATES

	Highs 1974-75	Lows 1976-77	Peaks 1980
Prime rate	12	7¼	20
Federal funds	13.75	4.33	19.35
30-month certificates of deposit	12.65	4.60	18.35
30-year Government bonds	8.75	7.32	12.75
AAA utility bond	10.05	7.60	14.00
AA industrial bond	9.60	7.35	13.75

FINANCE AND INVESTMENT IN THE U.S. IV

There has been a significant growth of interest among foreign companies—particularly those in the industrialised world—in acquiring assets in America. In their minds the advantages of a presence in the rich U.S. market clearly outweigh the shorterm economic uncertainties.

Inflows from abroad

IT SEEMS little can dull the appetite of foreign companies for acquisitions in the U.S. The pace of outside business investment has, if anything, quickened in the last 12 months in both volume and value despite growing pessimism in the U.S. itself about economic prospects.

This trend is borne out by a number of surveys. One of the most recent, published a month ago by the Commerce Department, said foreigners made 1,070 direct investment transactions in the U.S. in 1979, compared to only 334 the year before. The Department said it had no exact figures for the value of these transactions because many of them were private, but it estimated them at $12.5bn, up from $6.1bn the year before.

A separate survey by the New York Conference Board of Foreigner Investment just in manufacturing showed 437 deals in 1979, up from 358 in 1978 and 274 in 1977. Again, the value of these deals is bard to pin down. But the Board said that the price tag was known for 217 of the 1979 total, and this came out $4.9bn, up from $3.8bn (on 212 deals) in 1978.

Featured

Both the Board and Commerce listed the main originating countries as Britain, France, West Germany, the Netherlands, Switzerland and Canada, though Japan bas also featured strongly on the manufacturing side. All this sbows little change from the pattern of the last few years.

The Commerce Department's survey gave industry breakdowns for the first half of 1979 which showed that banking, insurance, electrical and electronic equipment and transportation equipment ranked among the most popular areas. The Board's breakdown within tha manufacturing Industries gave the following ranking: non-electrical machinery, electrical machinery, chemicals, food, stone clay and glass, rubber and miscellaneous plastics.

One small aside in the Board survey showed an unexpected change last year—a shift towards building new plants rather than making outright acquisitioos. Some 54 per cent of investments surveyed were in new plant and equipment in 1979, up from 49 per cent in 1978.

Whether this is simply an aberration, only time will tell. It would be surprising, however, if there bas been a marked sbift in this direction since the cost and complication of starting from scratch in the U.S. as opposed to taking over a going concern are enormous despite the generous incentives being offered by many States to attract new business.

Tha favonred geograpbical locations for foreign investment tend to be the rapldly growing southern or western States: California, Texas, the Carolinas and Georgis: New York is also highly favoured, though investments there tend to be in tha service rather than mannfacturing industries (insurance, banking, retailing, atc).

Tha reasons why foreign investors come to the U.S. in sucb large numbers were examined in a recent report by Hill and Knowlton, a New York public relations firm. A sample of 58 European, Japanese and Canadian companies which had set up operations in the U.S. showed that the strongest single reason for being there is the size of the market, followed by the potential for growth and the country's political and economic stability.

The survey also showed that other reasons traditionally cited for investor interest in the U.S., like the relative cheapness of U.S. assets and the co-operativa attitude of the trade unions were less important. Similarly, the availability of financing and industrial raw materials appeared to be of secondary importance.

All this seems to suggest that foreign businesses are going for what they see as the fundamental strengths of the U.S. economy (size and stability) rather than any special characteristics. Evidently these investments areb eing made for the very long term. The fact that strategic motives play such a big role would also explain why foreign investors persist in their interest in the U.S., despite the country's concern about its economic viability.

Apart from the cyclical recession now looming, there is deep concern in many parts of industry, government and the academic world about deteriorating trends in investment, productivity and scientific innovation. In some quarters these worries have even reached philosophic proportions as people muse about "the peaking of capitalism" and similar historic turning points that can only lead to worse, not better, conditions. But to foreigners just as concerned about their countries' particular failings, these disadvantages must seem somewhat intangible compared to the security of knowing one has a foothold in the richest market in the world.

David Lascelles

DIRECT FOREIGN INVESTMENT
(Completed cases January 1-June 30, 1979)

	Number of cases	Number of cases value known	Value ($m)
TOTAL	379	207	4,374.8
Principal source countries	300	166	4,047.1
Canada	60	30	374.0
France	28	16	616.2
Japan	34	17	95.0
Netherlands	23	17	557.3
Switzerland	17	13	456.1
U.K.	66	35	1,366.3
West Germany	72	38	582.2
Other Europe	24	8	174.5
Austria	3	0	—
Belgium	3	2	3.5
Denmark	3	2	6.5
Ireland	1	0	—
Italy	8	3	159.0
Norway	1	0	—
Portugal	1	0	—
Spain	1	0	—
Sweden	2	1	5.5
Unspecified	1	0	—
OPEC countries	9	6	60.6
Iran	3	1	1.0
Iraq	1	0	—
Kuwait	1	1	2.2
Saudi Arabia	4	4	57.4
Other Middle East	3	2	7.7
Israel	1	0	—
Jordan	1	1	6.1
Lebanon	1	1	1.6
Other Asia and Pacific	13	4	12.2
Australia	5	2	4.0
Hong Kong	1	0	—
India	10	1	5.6
Pakistan	1	0	—
South Korea	1	1	2.6
All other countries	25	21	72.7
Argentina	3	2	1.3
Netherlands Antilles	12	11	42.5
Panama	1	1	4.5
South Africa	2	1	2.2
Uruguay	1	1	1.7
Unspecified	6	5	20.5

Source: Commerce Department.

Land purchases set off uproar

AFTER APPLE pie and motherhood, property is closest to the average American's beart. It is therefore bardly surprising that the recently much pnblicised buying spree by foreigners of U.S. agricultural land has led to a public uproar and spawned a multitude of local and Federal Bills which attempt to impose restrictions of varying severity on foreign investors. Probably the most important is the crop of Bills currently in the House of Representatives and Senate which if passed later in the year—as most observers anticipate—would for the first time impose a tax on the profits realised by foreigners on the sale of U.S. land.

The issue of foreigners buying np native American soil is particularly galling to many U.S. citizens at present because the current tight U.S. money policy means that would-be domestic buyers are finding it harder and often more expensive than overseas purchasers to finance property acquisitions. The comparative ease with whicb many foreigners appear able to obtain finance is obviously a big advantage in negotiating property deals and in the opinion of many Americans has been responsible for pnshing up property values.

Indeed thare are signs that with the U.S. economy moving into recession, rising mortgage rates have choked off domestic demand—while the tougher stance by President Carter on inflation and the growth in world political tension has if anything served to increase the lure of the U.S. for foreign investors. So the coming months might see an increasing proportion of total property transactions being concluded by foreigners rather than Americans.

Proportion

But whila a lot of hot air bas been genarated over the issue of foreigners buying np U.S. land, the latest figures on these purchases reveal a less alarming picture. A report published earlier this year by the Department of Agriculture showed that as of October 31 last less than 0.5 per cent of American farmland was owned by foreigners. Nevada, Sonth Carolina and Tennessee are the states with the largest proportion of foreign-owoed agricultural land.

Overseas buyers from more than 50 countries notified the Department of purchases, with investors from Britain, Luxembourg and West Germany holding more than 50 per cent of the total overseas portfolio. Property dealers also point to a growing demand from South American countries—a demand focused on the South-East region of the country.

A less well publicised pbenomenon—perbaps because it i s a less emotive issue—is the recent surge in foreign investment in office property in major U.S. cities. This is particularly marked in the case of New York's Manhattan, where according to local property agents about half property transactions completed for offic ebuildings in the last year were on behalf of foreigners. A recent example is the purchase by a Dutch pension fund of the Celanese building on Avenue of America. This changed hands for $136m, thought to be the largest single purchase in Manhattan.

The increased investment by forelgners reflects both a feeling that in inflationary times property is a good asset and their favourable attitude to the long-term prospects for the U.S. economy. Rents in the U.S. are relatively chesp compared to those in many European countries and vacancy rates for office space in major cities relatively low. In addition, changes in the general format of leases for office property, with revision clanses and tha introduction of some machanism to cover increases in costs as s result of inflation, are another attractive feature. Most property dealers, if pinned down for a forecast, would predict a steady demand from foreigners for land, with a growth in institutional purchases of office property.

Rosemary Burr

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Problems of buying into small companies

THE NEW-FOUND sympathy for small business which has emerged in the UK over the past couple of yeers or so is not peculiar to this country. The small company in the U.S. has similarly been viewed with greater understanding, both within the community and by government, partly because of President Carter's own championing of the sector and his personal identification with it.

At the same time the small businessmen themselves in the U.S. have been attempting to make their voices beard rather hotter. In this they have been bolstered by tho results last year of e massive survey by Devid Birch of the Massachusetts Institute of Technology, showing that nearly 70 per cent of new jobs had been created by small business in the 16 years to 1976. They have also had a major platform from which to speak in the form of a series of conferences and seminars throughont the country in an 18-month period which culminated in the first White House Conferenco on Small Business in Washington in January.

From that conference emanated a wbole series of proposals, put togethor by the small business delegates, for reforms of one form or another aimed at reducing the administrative burdeo felt by small business, opening np markets dominated currently hy the major 1,000 or top U.S. companies (particularly in the area of Government procurement) and introducing taxation and other financial changes which, it is felt, would strengthen the position of small business, particularly at e time when it feels that inflation and economic recession is seriously eroding its basic strength.

Commitment

To what extent those proposals will he heeded by government is unclear. President Carter has a commitment to consider the small businessmen's main demands, but international developments heve probably left him little time for championing the small business cause. The economy also has been in recession and the President has said he will take no specific steps to avoid it.

Mr. Vernon Weaver, head of the American Small Bnsiness Administration, promised the January conference to press the small business case on Capitol Hill and he is committed to prodncing a preliminary report on what progress has been made by the middle of the year towards achieving the conference's objectives. That will give some indication of whether all the talk that has been taking place over the past two years can be translated into action even in unfavourable economic circumstances.

Even without any concessions in the short-term, however, there is enormous scope for profitable small-scale investment. The existing will to take such a step is reflected in figures for foreign direct investment in U.S. manufacturing banking and retails trade which show that in 1978 nearly a quarter of the 143 transactions in the manufacturing field alone that were announced involved sums of less than $5m, with a further 31 per cent in the range of $5m to $15m.

But just as some of the large-scale investments, or attempted investments, mado by major British companies in the past two or three years have shown that pitfalls are involved—anti-trust and shareholder legal ections—so there are pitfalls of a somewhat different kind in the small business sector.

A basic problem that can arise with any investment in a small company, particularly in a takeover, is the purely edministrative one of trying to maintain control from several thousands of miles away. It is, maintains Mr. Darryl Behrman, vice-president of Citicorp International Bank, tho merchant banking subsidiary of Citicorp, a "bigh risk strategy."

This is particularly so with deals involving $5m or less, he believes, because a private company takeover may be involved where the company is "entrepreneurially driven, without a great depth of management."

Such companies, as an outlet for the foreign investor's own products, would be totally reliant on the co-operation of the entrepreneur. A small foreign investor would not have any surplus management to take closer control, while e large one may find the amount of senior management time needing to he devoted to its new American offshoot is disproportionate to the scale of investment made. Then, of course, if any direct action provoked the entrepreneur to leave, the company conld well he considerahly, if not disastrously, weakened.

So while there are some 10.4m small hnsinesses in the U.S. offering e seemingly endless choice to the foreign investor, a major proportion of them (80 per cent alone employ fewer than 10 people and are prohably entrepreneurially or family-owned) would need to he treated with great caution before any irrevocahle commitment is made.

Partial investment, Mr. Behrman feels, is preferable at the lower end of the financial scale, offering the investor the chance to step into the U.S. market at reduced risk, initially through a licensing or joint venture deal which could realise their objective of a physical presence in tho U.S. Alternatively, he suggests that the purchase of a subsidiary of a large group offers good prospects with sound management team *in situ*.

Major motivating factors behind investments made in the U.S. small business sector in recent years have included the prospect of big gains in an enormous market, the weakness of the dollar (which bas provided a cheaper entry fee for companies) and, in the public company sector, the low level of the stock markets. However, rising interest rates bave eroded some of the edvantage, and Mr. Poter Kennady, vice-president of the New York corporate service office of Bank of America, suggests that the higher cost of money will prompt an increased level of joint ventures in the small business sector. The foreign company might put in the technology in a joint company, with its American partner providing the management and the mannfacturing facilities.

He also feels there may be a preference for the small deals because of the problems that bave been experienced with big company takeovers as a result of anti-trust difficulties or legal action by shareholders of the target company.

Mr. Hoffman, at Chase Manhattan, says that more popular aeras of interest in the U.S. for investment inclnde retailing, distributors (particularly those which are already acting for e foreign company), construction, construc- States), construction construction materials, food and food processing and the high technology fields where foreign companies are looking for ohth markets for its own products and a capacity for on-going research on the technologies involved.

If a cautious approach involving partial investment, trading agreements and the like is edvocated by financial experts for active investments (that is, where some form of trading partnership is the objective) it is equally the case for passive investments which have a purely financial objective.

Many British financial institutions are looking increasingly at overseas markets to place somo of theirf unds and, as in the UK, they are takin ga keener interest in small companies as an area of investment.

A major attraction of the U.S. in this respect is the large number of technology-based companies constantly emerging which, because of the enormous markets open to new developments, can offer the prospect of spectacular returns, particularly capital gains.

An unusual outlet for such activity is Abingworth, a private venture capital company that invests funds on hehalf of nearly 20 insitutions such as Barclays Bank, Wilils Faber Dumas, the large insurance broking firm, and other insurance companies and financial concerns, obth British and Continental.

Contrast

Mr. Anthony Montague, chairman of Abingworth, feels there is much gretaer scope in the U.S. for acquiring significant minority investmentes in small compaines offering growth potential because, in contrast to the UK where entrepreneurs are keen to maintain tight cootrol of their compaines, his U.S. counterpart is happy to have e smaller part of a potentially much bigger company. "Generally," he says, "there are mote opportunities in the U.S. that meet our sort of criteria—that is, proven management operating in markets big enough for a company to grow large."

In eddition, despite the current economic climate, he feels there is generally greater scope te tap capital markets. "In the UK a company has really got to have profits of £2m a year before it can consider going public. In the U.S., with the over-the-counter *market*, a company can see itself being abole to tap the capital markets much more quickly."

Mr. Montagu cites another reason for the scope for investment in small U.S. compaines which has been gaining growing recognition in this country. It is that various reasons are put forward in the U.K. for not growing big, e major one being the burden of tax. In the U.S., on the other hand, "there is an environment that encourages e winner."

bTo winners that Abingworth seeks are high technology and energy companies. It has made 12 investments since the company was formod seven years ago, together with a number of other investments in the UK. These have included stakes in Qantel, a computer company, Intec, a concern which applies laser technology in a variety of areas, and Apple Computer, a home computer company which has grown extremely rapidly in the past few years.

Such companies are the icing on the cake of foreign investment in small U.S. companies. But there can bo substantial if not quite so spectacular opportunities in less highly technological areas. Some observers feel that in the aftermeth of e few burnt fingers following large-scalo investments in the U.S. attention will now switcb to the smaller sector, despite the economic downturn there and rising inflation and higher costs of money.

Nicholas Leslie

Drive for increased productivity

FEW U.S. busioessmen would argue with the viow that productivity is the key to economic revival. Somo would go so far as to say that it is the key to economic survival.

President Carter is to set up an Office for Prodnctivity to fight what bis Commerce Secretary, Mr. Phillip Klutznick, receotly described as "economic anaemia" in the economy.

Another economic physician is the American Prodnctivity Centre, the three-year-old think-tank in Houston which recently held its first annual conference. Among other things, this organisation is instrumental in preaching the virtues of the "quality of work" gospel, which American business bas borrowed from Japan in an attempt to pep np shopfloor participation in the drive to improve efficiency.

Around 65 companies, including names like General Motors, American Airlines, Northrop and the steel industry, are active backers of the idea. It involves small cadres of workers meeting regularly to put up suggestions to management for ways to improve working procedures and equipment design.

Mr. Klutznick's phrase, however, is a good one because it suggests both the depressive nature of the illness and its phantom nature. Anaemic people don't always feel sick and, in spite of the bot gospelling about productivity, it has been hard to convince ordinary Americans that there corporate sector is staggering towards a crisis.

One of the reasons for the phantom element is the broad range of disagreement about productivity figures, which are intended to show the change in real output per employee hour.

On the one hand, it is argued, the figures overstate the problem because of the huge fall in construction industry productivity in recent years. This is thought to reflect a shift in workload after the completion of the interstate highway programme than a sudden maliase among construction workers or their equipment.

On the other hand, some feel that the real gravity of the situation has been concealed by the strength of the U.S. economy since 1974. Even those economists who have made the subject a speciality conclude that there are large mystery elements in accounting for the changes.

But like the anaemia victim, whose iron count fluctuates, there is no quibbling with the fact that the long-term trend is downwards. Officially, the Department of Commerce says the private business sector, which accounts for about two-thirds of U.S. business activity, experienced a 0.9 per cent drop in productivity last year.

U.S. LABOUR PRODUCTIVITY GROWTH

Average % change each year

	1955-1956	1965-1973	1973-1978	1978-1979
Private business	2.4	1.6	0.8	−0.9
Non-farm	2.5	1.6	0.9	−1.1
Manufacturing	2.8	2.4	1.5	1.8

Source: Commerce Department.

Even in this year, there was a statistical flaw in the argument in that manufacturing productivity rose by 1.8 per cent, three times the rate of the previous year and well above the average for the 1973-78 period.

But in the two decades after World War Two, U.S. productivity grew by an annual average of almost 3 per cent.

The reasons advanced for this are numerous and, in many cases, not much more than guesses.

Composition

Undoubtedly the shock to the economy of higher energy prices has played a part, as has the ageing of American industry's equipment. Less easily measurable are the effects of the changing composition of the workforce towards more working women, a shift in the structure of industry itself away from heavy manufacturing towards high technology and service, and the general effects of affinence on the individual.

The business lobby believes there are three remedies: Lower corporate taxation to make room for higher capital investment, more research and development, with some degree of Government funding for big projects of general usefulness to a whole industry, and less regulation by Government, which Chase Manhattan bank says costs the pnblic $100bn a year and diverts capital into non-productive hureacracy.

There is no doubt that business is winning these arguments, although the research and development requirement will prove difficult in practice, because there is widespread disagreement about the nature and extent to which Government should involve itself, even though there is general grudging acceptance that Japanese Government planning bas beon a major factor in the success of the Japanese industrial economy.

As for capital investment, business appears increasingly confident that it will win tax cuts and changes in the depreciation rules in order to stimulate capital spending. Business pressure won the first cut in corporate taxation for 20 years in 1978.

Whether this tide of pro-business feeling in Congress will hold through the politically testing period of a recession remains to be seen. But for the moment there is no donht that capital investment in the U.S. is struggling to keep pace with inflation.

According to a recent survey by the Commerce Department, business will spend $197bn on new plant and equipment in 1980, up by 11.1 per cent from the 1979 level, which was in turn a 15.1 per cent increase on 1978.

Even these modest figures, however, are beginning to look optimistic. Companies have delayed some spending plans, first to reduce their need to borrow at record interest rates and now because they fear a sharp fall in profits in this year as the recession takes its toll.

The pace in higher capital spending was set last year by the airlines, which increased spending hy 41 per cent to $2.3bo last year, but wbich were planning a much smaller rate of increase this year even before worsening operating conditions sent several of them into heavy quarterly losses.

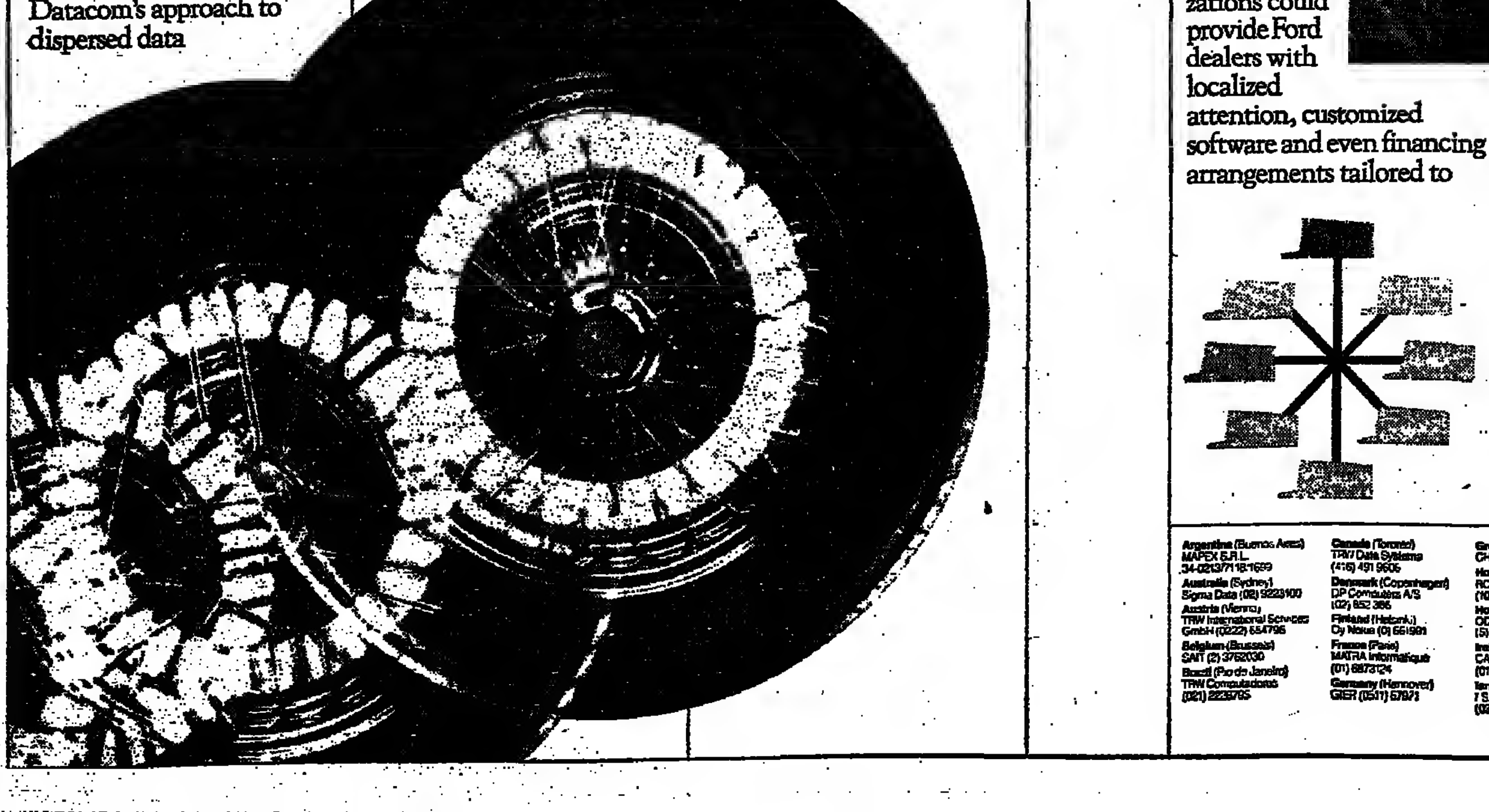
The public ntilities, and other big spending groups, have also cut back because of a combination of high interest rates, uncertainty over nuclear power and, in some parts of the conntry, lower-than-expected demand for electricity.

One anomaly, if that is the right word, which should be pointed out, however, is that this year foreign affiliates of U.S. companies will increase their capital spending by 26 per cent to $48.4bn, following an increase of more than 20 per cent increase last year.

This export of U.S. capital has so far gone without much criticism, but the anger is starting to rise in industries such as the motor industry, where unions can see that jobs are also being exported.

This could well become a much more hotly debated issue in the months to come, especially if it appears that through investments in the developing world and, to a lesser extent, in Europe, American business is solving the productivity problem it cannot solve at home.

Ian Hargreaves



The securities industry has suffered as much as any from the problems of inflation. In broad terms it has managed to cope reasonably well, with the major brokerage houses using their acumen to diversify their operations. This page and the following review the main sectors of the market.

Wall St. passes test

TIMES ARE always described as "challenging" for Wall Street as the capital markets place increasingly tough demands on its intellectual and monetary resources. But the chaotic conditions experienced by most U.S. markets in the last 12 months have raised those challenges to new heights and provided Wall Street with a severe test of its mettle.

By and large, however, the investment community seems to have met the challenge. There have been casualties, it is true, and some very nasty moments. But most of Wall Street is still forging on, and many houses have even been able to turn the turmoil to good account by making huge profits on commissions and fees.

Ironically, it is not so much the stock market—the traditional focus of Wall Street's activities—that created the problems, but the credit and commodity markets, both of which have shown a volatility seldom seen in modern times.

U.S. interest rates had been edging up since early 1977. But the situation only became critical in the second half of last year when rates defied widespread predictions of a downturn and broke through to a new record highs. Then, after a brief pause at Christmas, they surged ahead again to levels that would have seemed inconceivable only a year ago, bringing about the virtual collapse of the bond market in the process.

Coinciding as this did with the New Year slump in the stock market, it might have been expected to knock the props from under Wall Street. But though one or two smaller firms went under, all the big names survived. The reasons for this are quite instructive.

Perhaps the most obvious is that most Wall Street houses are now much more solid than they were before, either by virtue of amalgamation or diversification.

The big shake-down provoked by the abolition of fixed rate commissions continues. The past 12 months have seen two large mergers, Shearson Hayden Stone with Loeb Rhoades Hornblower, and Paine Webber with Blyth Eastman Dillon, the latter creating the second largest securities house in Wall Street after Merrill Lynch. The process is bound to continue until, as many people expect, the industry will be dominated by eight or so "mega-brokers."

Diversification also helped. This has now become a major preoccupation in Wall Street as the investment houses expand the scope of their services or branch into totally new areas.

Much of the diversification is into related business like investment banking, both in the U.S. and abroad. This is probably the biggest expansion area measured in terms of profit growth, though the heat of the competition is already having an impact on the conduct of investment banking. Most investment bankers spend far more time trying to drum up business or dream up ideas to interest clients then in actual banking itself.

Popular

Insurance is another popular area, particularly among the retail brokers whose account executives can be trained to sell life policies along with stocks and bonds. Merrill Lynch and Bache Group are among the houses that have taken this path. Property, even retail banking (but under another name) are beginning to feature too.

If these trends continue the average Wall Street brokerage house will probably earn only a third of its income from securities commissions by the end of the 1980s, a startling departure from what served as most of these concerns' sole reason for existence a few years back.

Not everyone views this trend positively, though. Mr. Harold Williams, Securities Exchange Commission (SEC), has expressed the view that diversification might reduce Wall Street's ability to perform its traditional tasks, a view which has sometimes been echoed in Wall Street itself.

The securities industry also managed to ride the market turmoil financially because, while securities prices plummeted, turnover soared. The average number of shares traded on the New York Stock Exchange last year was 15 per cent higher than in 1978. And though the discount houses have begun to make inroads in the brokerage market, their share is still comparatively small, about 5 per cent, leaving the traditional houses ample scope to earn their commissions.

In the first quarter of this year Merrill Lynch increased commission revenue by 78 per cent, E. F. Hutton by 77 per cent, and so on. These advances followed sizeable gains in the past six months of last year.

The investment community has also been able to offset at least part of its losses in the fixed income securities market by means of the relatively novel financial futures market. This market (which is discussed more fully in another article in this survey) was hardly in existence at the time of the last interest rate peak. But this time roun dit has blossomed into a large and highly liquid market whic hoffers (to those who understand it) a useful hedging tool against changes in interest rates.

It has its disadvantages, of course. It can never offer complete protection, and it is only a tool, not an investment (which means one sacrifices yield to make use of it). But there can be few Wall Street brokerage houses which do not make full use of the market today, and which must many times have thanged it for the protection it offers.

The other major challenge Wall Street has faced came from the commodity markets. About half-way through last year, speculative fever swept into many commodities, mainly non-agricultural ones like metals, though cotton and sugar were caught up in it too. Although much of it was sparked by the activities of a small but determined group of investors in the precious metals markets, it also reflected to some extent the desire of ordinary investors to take refuge from inflation in hard commodities.

Two months ago this led to the now well-documented Hunt silver affair in which the wealthy Texan oil family made huge losses on its silver holdings and was unable, for a while, to cover its positions. For a few days, there were sharp anxieties in Wall Street that the brokerage houses in the centre of the affair would be squeezed between the Hunt's inability to pay and the exchanges' demands for money to cover the losses. As it turned out everyone came through financially unscathed, though the whole episode provided Wall Street with a number of salutary lessons.

One is that brokerage houses must impose realistic margin requirements on their caught themselves. There has been some criticism of Bache Halsey Stuart Shields, the firm at the centre of the affair, for imposing margins on the Hunt accounts that were too low. Another is that it is unwise to allow clients to have too large an equity interest in the company. The Hunts own 6.5 per cent of Bache, prompting criticism that Bache gave the Hunts preferential treatment, a charge which Bache strenuously denied.

Tighter

The Hunt affair is likely — many people in Well Street fear—to lead to tighter regulation of the business, if not by the SEC then by the Commodity Futures Trading Commission, which has authority over the commodity markets.

But while the SEC was deeply concerned by recent events, it is pushing ahead with other plans to liberalise and expand securities trading. At the end of March it lifted a nearly two-year-old ban on the growth of options trading, effectively paving the way for the expansion of this market into most major exchanges. The ending of the ban followed intensive study by the SEC of the whole question of options, which showed explosive growth in the mid-1970s but were abused in some quarters.

The SEC is also committed to setting up a nationwide securities market, though this will be a long-term affair. At the moment the Commission is working on ways to achieve nationwide price protection for public timilo,rr cdsTH TH for public limit orders, improvement of the timeliness and reliability of quotation information and so on, to ensure that all who participate have a fair crack at the market.

After the upheavals of the last year or two, however, Wall Street is probably in for quieter times in the coming months as the economy retreats into recession and a lull settles over many markets. This will probably lead to declining revenues, though the drop in interest rates should swell assets as the bond market improves. Wall Street could probably do with a breathing space anyway.

David Lascelles

Bond market comes under pressure

THE EARLY years of the last decade saw investment managers finally turning away from the practice of loading up their portfolios with ordinary shares in order to try and beat inflation. The "cult of the equipty" withered away, to be replaced by a shift in the balance of portfolios towards fixed income bonds. The apparent price stability and high yield of these investments, the opportunities for capital gain from active management and the relative ease of trading big blocks of securities all made bonds an attractive baven for investors in shares.

The new decade is only four months old and yet today it is an open question whether investors in the 1980s will pile funds into fixed income investments as they did in the 1970s. The events of the past six months have wreaked havoc in America's fixed iocome markets, not just the bond markets but also the long-term property market and the housiog market.

Shaken

Today it is hard to imagine that any but the best quality private borrowers will be able to return repeatedly to the credit markets and demand hundreds of millions of dollars of loans at a fixed rate of interest stretching out for 30 and 40 years. The pension fuods and insurance companies which only a year ago were still willing to contemplate such investments with equanimity have been shaken to the core by the acceleration in inflation to an annual rate of around 16 per cent in the first quarter of 1980, by the dramatic deterioration in prospects of pruning it back that has occurred in the past six months and by the billions of dollars of paper losses that they have suffered as a result.

Between October 6 last and mid-February, Wall Street estimates suggested that as much as $400bn had been wiped off the face value of long-term bonds alone. The paper losses on private fixed-term pleced loans and mortgages have been no less devastating.

Many loog-term investors are now anticipating that the U.S. could be saddled with an underlying inflation rate of close to double figures for the oext five years or more. Their experience of the past decade suggests to them that such a rate is inherently unstable and is likely to soar in periods of high economic activity to nearer 20 per cent, with ominous implications for the capital values of the fixed income securities they hold and for their performance as investment managers.

These investors are also conscious of the growing pressures on them, io an inflationary era, to provide pension and life assurance benefits which keep pace with inflation —in the case of pension funds even for retired employees. These perceptions provide some explanation for what is being termed the revolt of the long-term lenders — the growing evidence of the unwillingness of the investment managers wielding billions of dollars of funds to lock themselves into long-dated fixed interest securities.

The signs of this revolt are all too evident in the financial markets. On Wall Street even Pacific Telephone and Telegraph, a subsidiary of the giant American Telephone and Telegraph Corporation, the heaviest corporate borrower in the bond markets, was forced by adverse

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Campaign to promote equities

MERRILL LYNCH, Wall Street's largest brokerage house, recently took out a series of advertisements in the Press urging investors to buy shares because they were "the biggest bargain around today."

That definition is hard to knock down if one measures stocks in terms of their historical price/earnings ratios, or simply their prices. Most shares are trading at historic lows. Furthermnre, a recent study of relative investment values by Salomon Brothers, another Wall Street institution, showed that last year stocks beat all kinds of securities in the return they gave investors.

Standard and Poor's 500 produced a yield of 18.5 per cent, compared to 10-12 per cent for currencies and anything from 10 per cent to *minus* 8 per cent for bonds and varions other securities.

Some types of stocks did even better: the Standard and Poor's transportation index topped the list with a yield of 23.8 per cent. And doubtless if Salomons had calculeted the yield of the index of last year's high-flying oil and energy stocks, it would have done better still.

But the sad fact remains that despite not only the compelling rationele for buying stocks and Wall Street's tireless campaign to interest the investor (witness the Merrill Lynch ad), the market has achieved remarkahly little in the last three years. And if present trends continue, this is unlikely to change in the foreseeable future.

If one measures market performance in terms of the Dow Jones Industrial Average (DJIA) (which, despite its faults remains the most widely watched index) the market has been in a rut since 1977. This would be bad enough but for the fact that that period spanned not only part of the longest economic boom the U.S. has seen since the last war but also included the best profits story the market is likely to see for a long time—oil.

Ever since it came of a 1000 peak in the mid-1970s the DJIA has traded within a remarkably predictable range of 750 to 900. Three or four times it has successfully bounced back from 750. But it has just as conspicunusly failed to hreak through the 900 level, suggesting that these figures must have become branded in investors' minds as their market "hracket."

It is true that the NYSE's smaller sister, the American Stock Exchange (Amex), pushed its index to a record high e few months back. But that exchange is dominated by the oil and natural resource stocks which have been star performers everywhere.

Doubtless thousands of investors have been rubbing their hands in satisfaction at the gains they made in energy stocks. But there must be just as many whn were dismayed by the sharp drop in traditional stocks like AT & T, General Motors, IBM and Kodak, many of which are trading at their lowest point, not for years but for decades.

Performance

A more encouraging picture emerges, however, if one measures market performance by broad averages like the S & P 400 and 500, or even those averages like the Wilshire 5,000 which measures the composite performance of every single publicly quoted stock.

These tend to show a hump in the mid-1970s (as the U.S. pulled ont of its last severe recession) easing off in 1978 as fears of a new recession loomed, then surging again last year on the back of the oil boom. But even these indices do not exactly throb with promise. The S & P 500 only recovered its early 1977 level towards the end of 1979. It then pushed ahead only to plummet down to early 1979 levels in the latest bear market.

It is also worth examining bow much of this gain was thanks to the oil boom, and for two reasons; the oil price rise may turn out t be a once-for-all phenomenon, and what fattens oil company profits eats into the profits of everyhody else.

Kidder Peabody, the Wall Street brokers, recently analysed the impact of oil stocks on the stock market in the past thre years and concluded that it had heen considerable. In the eight months between mid-1979 and last February, a period which sew the best of the nil stock surge, Kidder Peebody estimates that oil stocks eccounted for about 8 per cent of the 10 per cent rise in the S & P 500. Conversely, their subsequent plunge accentuated the index's overall decline by an estimated 2 per cent.

Kidders' report also estimetes that the 70 per cent gain in the earnings of the S & P Oils Composite in 1979 jacked the gain fnr the 500 as e whole up from 10.3 per cent to ehout 20 per cent.

The report cooclndes thet these developments are not entirely healthy because the oil sector has achieved its dominant position in the market while still being vulnerabie to "treecherous cross-currents"—npheavals in the Middle East, oil price volatility and so on.

Paperwork

Literally areas of paperwork must have been churned ont by Wall Street in an attempt to explain why stocks have done so poorly. Most of it centres on the host of fectors which are eroding profits—new eccounting standards, government regulation, infletion, taxation and so on. A further prohlem has to dn with the fact that the market's hetter stocks tend to be the smaller capitalised companies which investors cannot follnw, and which Wall Street's much-trimmed analytical comminity lacks the resources to bring to their attention. (Only a tiny fraction of quoted stocks are followed nn a regular basis hy Wall Street, and less than half the stocks nn the "Big Board").

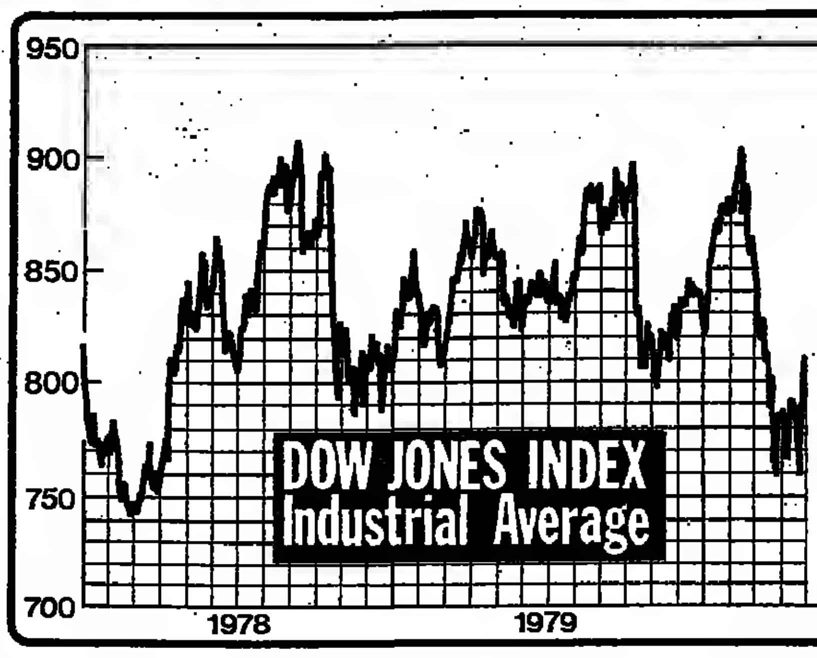
Brokers wbo currently ergue that the market is poised for e recovery point out that many of those profit-eroding factors must now beve been discounted.

On the positive side, there is also the reduction in capital geins tax, political recognition of the need to stimulate investment, and the "inflation-hedge" value of stocks of those companies with large natural resource assets. The growing interest in domestic energy development and netional defence is also bullish. The list could be extended almost endlessly.

But will these really trigger the market? Arguahly many of them have heen discounted already: energy, metals defence and capital equipment stocks were all market leaders in recent months. The reduction in capital gains tax took place a long time ago. And while the Government may have recognised the need to encourage indnstry to npdate its capital equipment, it is still far from clear bow and when it will act.

Meanwhile the U.S. economy is heading into a recession which Wall Street's own economists predict could be quite severe, and there is no end in sight to inflation (in fact, the phased decontrol of U.S. oil prices over the next 17 months guarantees a steady rise in the fuel component of the coosumer price index for that period, probably ionger). In these circumstances it is hardly surprising that investors seem reluctant to commit their money just as companies fece the toughest earnings squeeze since the early 1970s.

D.L.



Bond market

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market conditions in February to change the terms of a hond issue to make $200m of the $300m issue an intermediate term (eight-year) note instead of the Bell system's normal 40-year maturity issue. It also had to pay an nnprecedented 15.55 per cent for the 40-year hond. Subsequently, however, highly rated AT and T subsidiaries seeking funds have been able to raise them over 40 years at fixed rates.

Bond dealers estimate that other companies have been less fortunate, however. Hundreds of millions of long-term fixed income funding has been cancelled because investors simply did not want the paper. In such circumstances many companies bave deserted the markets and gone to their bankers for credit instead. Others, however, have also begun to trim back their capital spending programmes.

The dislocations in the public bond markets also pose a threat to the financing of towns and cities. The private mortgage markets too have been affected. Mr. Walter Wriston, the chairman of Citicorp, the second largest U.S. bank, confirmed in public recently what others have been saying privately — namely that there is to all intents and purposes no new long-term fixed interest finance available in the property market at present.

In the private house mortgage market the same is true. Historically American have hought their homes on fixed interest mortgages repayable over as much as 30 years. It is more evident in the home loan market than anywhere else that those days are over.

Legislation

Congress recently passed legislation which will require deposit-taking institutions to pay depositors higher rates of interest in future — Regulation Q, which used to put legal limits on how much interest small depositors could be paid, is being phased out over the next six years. At the same time Government regulations have changed to make it easier for lenders to alter the rates they charge borrowers during the term of a loan.

A growing volume of variable interest rate lending seems to be inevitable in the home loan market, dictated by competitive forces, and the fect that the lending companies have been hit by heavy losses as a result of the surge in interest rates over the past year. Lenders will he less vulnereble to such losses in future if they can vary interest rates on their existing loan portfolio.

Some are predicting that such variable rate financing will become prevalent in the corporate bond markets as well as the mortgage and property markets, particularly if the Government continues to commandeer a growing sbare of the fixed interest finance available.

From today's vantage point the difficolt judgments to make are to what extent the manifestations of distress and accompanying structural change in the fixed income markets will pass if, as expected, the economy heads into recession and the cyclical inflation rate and accompenying high interest rates decline.

Dr. Henry Kaufman, Salomon Brothers economist, sees a long-term trend towards what he terms the "Enropeanisation" of the U.S. bond markets—a terms which encompasses such things as more variable rates and medium rather than long-term financing. This year's catastrophe in the fixed income markets suggests that the process has at least heen accelerated, with disturbing implications for the performance of the U.S. financial system and economy.

It suggests that the U.S. financial system will become more dependent on banks as a source of medium and long-term capital and a reduction in the role of the public deht market as an instrument for imposing discipline on corporate managements. It also suggests that to a growing extent finance will be availahle on floating rates (either from banks or in the debt market), a development which puts a greater risk burden on the horrower which could result in more ceutious capital investment decision-making.

S.F.

Commodity swings

THE PAST year has seen e record volume of activity on the U.S. commodity markets as investors disturbed by the growth of political tension and the seeming inability of President Carter to curb inflation sought a remunerative home for their funds. This inflow of speculative money into the markets fuelled a repid rise in the price of major commodities traded in New York and Chicago.

Many small investors were lured into the commodities markets for the first time; others — sizeable holders of precious metals contracts — appeared to heve stepped up their level of participation.

The speculative fever was most striking in the silver market. Last autumn what was regarded by some officials as excessive concentrations in the hands of e number of private individuals was perceived to be adversely affecting the liquidity of the silver market. Steps were taken by officials of New York's Commodities Exchange to try and restore liquidity to the silver market by limiting the size of holdings of individual investors and raising margin requirements on each contract so that it hecame more expensive for investors to participate.

By early February, however, there were signs that the fever was cooling. The sharp force increase gave way to eqnally sharp falls. The steps taken by Comex to prevent excessive concentration of holdings in the hands of a few individuals in the silver market, namely the Hunts and some undisclosed foreign investors, led to a decline in market activity. The small investor, hard pressed to come up with additional cash for margin calls at a time of record interest rates, took flight.

With the minor players that traditionally go to make up a market virtually squeezed out, the volume of activity in precinus metals and nther commodities cmtinued to decline throughout February, as did prices. As the latter fell those investnrs still plugged into the markets were faced almost daily with growing demands for sizeable sums of cash to meet margin calls. Near panic resulted in the silver market when word leaked out that the Hunts, who are known to be one of the world's major holders of both silver and silver futures contracts, had failed to provide the cash to meet some margin calls.

Questions were raised about the financial viability of several houses through which the Hunts transacted the majority of their commodity dealings, prices fell on the New York Stock Market amid rumours of the Hunts' enforced liquidation of a sizeable portion of their share portfolio and fears of some bankers that the crisis would have a domino effect on other financial markets. At least for one day the attention of senior officials at the Fed, the Securities Exchange Commission (SEC), the Commodities Futures Trading Commission (CFTC), and leading members of the financial community on Wall Street was focussed on the investment decisions and liquidity position of one Texan family.

The crisis proved as short-lived as it was disruptive, with the Hunts reportedly settling their margin calls within a week after intensive talks with various brokerage houses, officials in Washington and meetings with their Arab business associates. Fears over the financial viability of certain brokerage houses, in particular the Bache Group, proved to be unfounded.

The precipitous drop in the price of silver, which had triggered off the fresh margin calls, was halted amid rumours of heavy buying on the European exchanges on spot silver. Conditions on Comex in New York stabilised at this new price plateau but with volume much reduced from the heady days of January.

The aftermath of the crisis was a renewal of the debate, which had blown hot and cold throughout the winter, as to whether the commodities markets were adequately supervised and regulated. Inevitably, given the sensitive nature of the disruption of the silver market, a formal investigation began into the events leading up to the March crisis and the steps taken by the various bodies which acted as market watchdogs, notably the Comex itself and the CFTC in the weeks prior to the hurst of the speculative bubble.

The jury is still out on this question but the CFTC, under the youthful chairmanship of Mr. James Stone, has called for tighter regulation of the markets. Mr. Williams, chairman of the SEC, in his speech to the House sub-committee investigating the silver debacle, emphasised what he perceived to be the need for stricter regulation of the commodity markets by suggesting that Congress itself should play a part if neither the CFTC nor the Fed decided to step in.

Needless to say, while the committee hearings in Washington were focusing on the need for further regulation the view most frequently expressed on Wall Street was diametrically opposed, with most brokers vehemently rejecting further regulation of the commodity markets. Indeed some dealers went so far as to say that the action of Comex in trying to regulate the silver market more effectively by imposing higher margin requirements and establishing position limits was one of the factors that precipitated the market conditions that hred the crisis.

Rosemary Burr

Progressive squeeze on bank profits

As the first quarter's earnings reports from the leading US banks came in it was apparent that rising interest rates had indeed, as many analysts predicted, produced a harsher climate for the industry than the one prevailing through most of the previous four yaars.

During thet period the hrake which loan losses from 1974-75's recession had put on bank earnings steadily diminished. The banks enjoyed surging credit demands, particularly from the consumer sector, which belped to put an inflationary gloss on their profits. And through much of the period international loan demand was strong, too. This helped the big money centre banks, particularly those in New York, enjoy generally rising earnings after 1976, while for the industry as a whole quarterly earnings gains were in the 15-20 per cent range until the end of 1979.

Today, however, it is apparent that the banking industry is at a turning point. The most immediate prohlems, and opportunities, seem to be emerging in their domestic markets. But the climate in which the international hanks are operating has heen adversely affected by e number of recent developments including the Iranian situation and the prospect of a growing OPEC surplus. It is far from clear that the current hardening of lending terms against some international horrowers, particularly developing countries, will he maintained or he sufficient to compensate for increased risks.

Unprecedented

Domestically, of course, the pressures are coming primarily from the surge in interest rates which took the banks' prime lending rate to an unprecedented 20 per cent in March, the Federal Reserve's new credit restraint programme announced in the middle of that month, and the recession which most economists are once again confidently predicting will follow as a result of these events.

The evidence has already appeared in earnings reports of banks that the rise in interest rates has hit profits. The spread between the cost of funds to hanks and their lending rates were generaly squeezed in the first quarter while those banks which misjudged the direction of interest rates and took funding decisions on the hasis of these erroneuos predictins have been bedly caught out, most notably the First National Bank of Chicago.

Citihank also took a body blow in the first quarter largely because of the rapid build-up over the past 18 months of its consumer loan portfolio. State usury laws prevented it from kaeping lending rates on this husiness ahreast of its funding costs. This was one of the reasons its aarnings — despite a $40m pre-tax foreign exchange profit — plungad from $125m in the first quarter of 197 to $83m in the corresponding period fo 1980. Elsewhere around the country banks have been hit by usury ceilings and also by the big sums of money invested in fixed-interest long-term home loans, some of which were made when rates were in single figures.

The latest casualty is the First Pennsylvania Bank of Philadelphia, the country'e 23rd largest hank with assets of $9bn. In one of the higgest rescue operations the American hanking community has seen, the U.S. Government and a group of commercial banks bave put together a $1.5bu package to hail out the ailing member. The rapidity with which the arrangements were settled seems to emphasisa the concern of the anthorities to bolster the confidence of a community already badly shaken by a series of crises in other sectors in recent months.

The ubrden which this has put on their profits is all the heavier because the structure of their deposit liahilities has been changing too. The proportion of their funds which has been on deposit interest-free or under the 5¼ per cent Regulation Q ceiling has been declining. Customers have been taking money out of the banks and putting it into money market mutual funds (whose assets have grown from $10bn at the beginning of 1979 to over $60hn currently) or into money market certificate-type accounts at the banks which pay market-related deposit rates.

For some institutions these pressures are undoubtedly severe. The greatest anxiety of course centres on the problems posed for the savings banks and savings and loan institutions. But there is concern that even for some commercial hanks it has become a question of survival. This is one reason why bank and savings institution regulators last month asked Congress for special legislation to facilitate the rescue of troubled financial institutions.

(That legislation incidentaly contains a provision for tha acquisition of one hank in financial difficulties by another institution outside the State where it operates. If passed, this is seen as an important breach in long establisbad U.S. banking law, which currently prevents a bank from acquiring another bank in a different state.)

Anticipation

Recent declines in short-term interest rates should have eased some of the pressures on banks and thrift institutions, hnt many remain. There is already evidence of banks beginning to build np their loan loss reserves in anticipation of problems among some of their customers. Moreover, few are anticipating a steady downward drift in U.S. money rates, even if the anticipated recession materialises. The shift in Federal Reserve policy towards managing bank reserves directly rather than through the Federal funds interest rate suggests that short rates will be more voltatile and this is one reason why analysts expect tha downward drift in rates to follow a "sawtooth" pattern which will make it more difficult for the hanks to manage their liahilities.

But perhaps the greatest uncertainty in the immediate future surrounds the outlook for lending volume in the U.S. On the one hand the Federal Reserve's penal reserve requirements on managed liabilities are expected to begin to bite and are one of the pressures which have led to the determined efforts many banks have taken to curb consumer lending. In addition, hoewever, the Fed is insisting that the hanks "voluntarily" keep their credit growth within a 9 per cent growth ceiling—which compares with nearer 15 per cent last year. That will limit the scope for increasing volume domestically to offset shrinking spreads. How effective the Fed's pressure will be is a matter of dispute.

The banks at the end of February had some $248bn of unused lending commitments outstanding which they feel legally obliged to fulfil if their customers request it. This compares with outstanding commercial loan volume of around $160bn. Historically, of course, such commitments aro rarely anything like fully drawn. But unlike earlier periods of tight money this time the long-term bond markets do not offer so attractive an alternative to bakns, and for many companies long-term bond finance is virtually unobtainable. This, coupled with rising cash needs as a result of inflation, could result in soaring commercial loan demand.

There is the potential here for a sharp conflict between tha henks and the Federal Reserve, and at a time when bank capital is still being eroded by inflation.

For all these reasons the short-term outlook for the U.S. banking industry is to say the least difficult to predict. Ironically some of the longer term trends appear to be coming into sharper focus. This is because of the recent passage in Washington of the Depository Institutions Deregulation and Monetary Control Act.

For commercial hanks the most important aspect of this legisletion, perhaps the most far reaching financial reform legislation in fifty years, is that it will over a transitional period put the hanks on an equal competitive hasis with the thrift industry on such matters as reserve requirements and interest rates payahle on deposits. It also provides for Federal law to precmpt state law in setting usery ceilings limiting the interest rates which can be charged to borrowers. In general regulations which bave distorted banking markets because they were designed for a period when inflation and interest rates were much lower, have begun to be removed and this is an important gain for the banking industry.

S.F.

Energy policy under fire from business world

AMONG THE welter of political and economic challenges thst bave faced the Carter Administration over the last four years, few have proved quite as durable as the energy prohlem. Oil, natural ges, nuclear power —all heve provoked crises of one kind or another. And et least one of them—oil—has greatly complicated America's foreign policy in the last 18 months.

But though Mr. Carter bas been ettacked on all sides for his bandling of the energy crisis, he bas stuck grimly to his guns, trying to gain ecceptance for his policies. As his current tenure in office draws to a close, energy may well turn ont to be one area wbere be can claim, with some justification, to hava made progress.

However, the thrust of his approech bas been to increasa rather than decrease the Federal Government'a role in energy. This has made him a lot of enemies in the business world.

Mr. Carter came to power on a promise to do away with the deeply-rooted system of U.S. energy price controls whicb bad kept the cost of oil and netural gas well below the open International market at a time wben the rest of the industrialised world was having to ahsorb escalating energy prices. Although this was a greet boon to U.S. consumers, it distorted the U.S. economy to a point where it began to display severe signs of strain; soaring oil imports, wastefulness, and an alarming vulnerability to disrnptions in the Middle East.

Battered

As it turned out, Mr. Carter was unahle to do away with controls as quickly as he had hoped. His ill-fated Energy Bill was kicked around in Congress for nearly two years before it moved, battered and greatly enfeehled, on to the statute book. But it did at least pave the way for decontrol of netural gas prices by 1985 .

Mr. Carter had better luck with oil decontrol. An earlier Act of Congress gave him the euthority, from the middle of last year, to ease or completely ebolish oil price controls. He took advantage of it to order a phase out by the end of September 1981.

He was sharply criticised for failing to abolisb them immediately. It would beve heen politically impossihle to do this, bowever, given the country's already high rate of inflation. Economically, too, there would have been massive disruptions if the price of oil rose more than 50 per cent (as it would have) overnight.

Indignation

Similarly, criticisms of his parallal decision to introduce e "windfall profits tax" failed to take into account the popular indignation that was bound to greet the buge increasa in oil company earnings that decontrol would bring.

The windfall profits tax, which finally became law last month, was designed to cream off abont half the profits resulting directly from decontrol. But it was structured in such a way as to fall most beavily on oil already in production, and more lightly on newly discovered oil or oil extracted with advanced techniques. The aim was to encourage oil companies to go out aod find more oil, or extract a higher proportion of oil from their wells.

The tax was strongly criticised by the oil industry and some quarters in Wall Street as nnfair and, in the end, counter-productive because there was on guarantee that the Government could do a better joh of developing energy than the energy companies themselves. But this won little sympathy from a generally anti-business public and Press.

The striking aspect of Mr. Carter's commitment to energy price decontrol is its doggedness. Even though energy is now one of the largest components in the rise in the consumer price index, he has apparently withstood the temptation to halt decontrol as a "quick fix" for the inflation problem. There were fears on Wall Street, for instance, that he might tinker with the decontrol timetable in his latest anti-inflation package. But as it turns out he tended towards the opposite. He slapped an extra tax on petrol, which had the effect of speeding up the rise in energy prices.

If decontrol does complete its course, the average oil price will reach the world lavel by October 1 next year. At the moment it is in the region of $18 a barrel, compared to around $30 or more elsewhere.

Decontrol will have two major consequences, parts of which are already evident.

One is to compel the economy to adjust to the energy problem by measures such as development of fuel-efficient technology and exploitation of non-oil fuels. Conservation bas already shown dramatic results. With the price of petrol up more than 50 per cent in tha past 12 months, consumption has fallen sharply. In fact it may already have peaked for good and all, particularly given that transition to the new generation of fuel-efficient cars is well under way. This winter also brought a fall in heating oil consumption, thanks partly

High fuel costs are also forcing industry to adapt to new realities. Fuel-efficient machinery is in greet defand, as are such obvious items as insulation and high-efficiency engines.

Exxon, the world's largest oil company, recently paid out $1.2bn to buy Relience Electric, a leading maker of electric engines, specifically to develop and apply technology for alternating current synthesisers — gadgets which regulate the flow of electricity to electric motors and conserve energy.

The other consequence of decontrol is an acceleration of the quest for new domestie fuel sources. With oil now earning a much higher return, companies have reopened old oil wells once considered uneconomic, or set plans to instal advanced recovery equipment in less productive wells. The pace of exploration has also quickened, particularly in the wilder and offshore regions where costs have heen problbitively high in the past. But there has also been a lot of new and re-exploration of known oilfields for deposits which could prove attractive in the new economic environment.

However, all this is not expected to lead to a sharp increase in U.S. domestic oil production, at best only a levelling out of the decline thst bas gone on in the last ten yeara. The "bottom line"—a fall in U.S. oil imports — will hav eto come througb development of other fuels lika oil shale, synthetic fuel (coal liquification and gasification), solar energy and nuclear power.

Special Government programmes are beIng eet up for all of these. Part of the yield from the windfall profits tax will be earmarked for a Federal Energy Development Corporation wbich will promote new fuels through research finance and purchase commitments. The Administration also wants to establish an agency with special powers to cut through the bureaucracy and speed priority energy projects. The fate of this plan will provide an interesting test of the strength of the envlronmentalist lohby, which some people think has gone into decline since the energy crisis began to hurt the gencral public.

Safeguards

Nuclear power remains a speclel case. A 12-month moratorium on new nuclear projects followed the widely publicised accident at Three Mile Island last year. However, Mr. Carter'e position is that nuclear power bas a role to play in America's energy future, providing the safeguards are adequate. He also recently took the significant step of proposing ways of disposing of nuclear waste, one of the big stumhling blocks in the way of nuclear power development.

The energy policy legacy left hy this Administration will be more of a foundation than a mechanism. Decontrol, the establlsbment of the necessary agencies to speed energy development and a framework for nuclear power will be in place. All these ehould help lay the basis for a sounder energy economy. But it will be up to the next Administration to meke sure that something comes of them.

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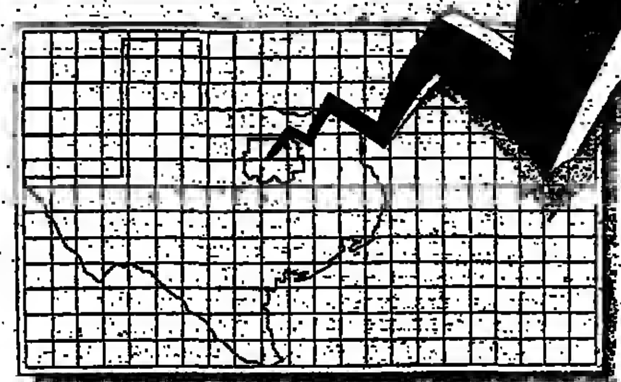

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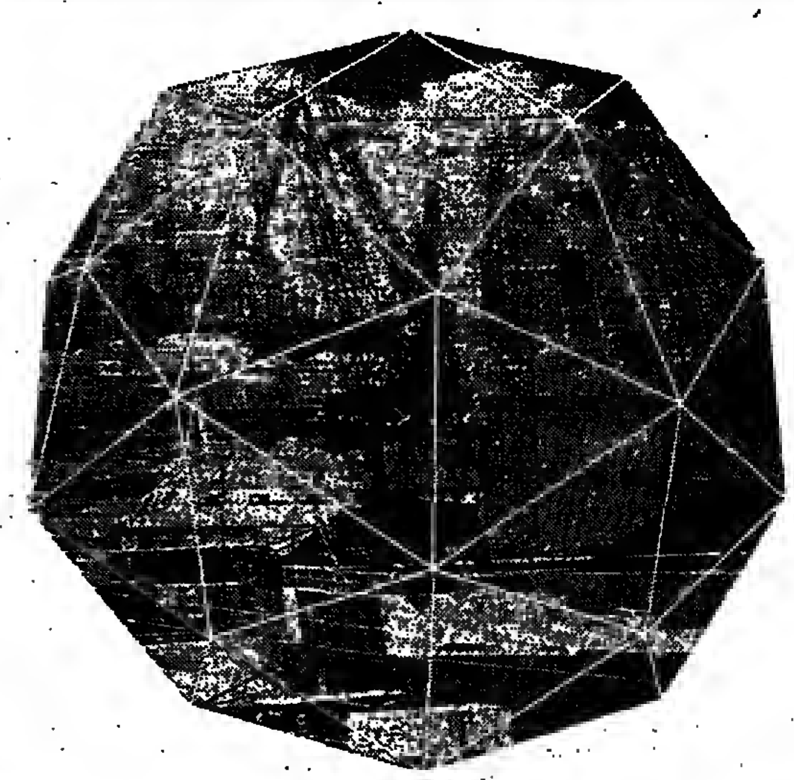

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Co-operative mood among the unions

LABOUR RELATIONS, along with Governmeot regulation, are among the biggest worries of companies making acquisitions or setting up plants in the U.S.

Apart from the fact that labour relations ought to be close to the top of an' chief executive's list of priorities, one really wonders why thia convern emerges with snch acuteness when foreign businessmen look at the U.S.

One of the reasons is that nrvey researchers send their questiomaires primarily to businessmen in countries which are heavy investors in the U.S. — notably West Germany, Japan and the UK.

It is not difficult to see why German and Japanesa businessmen might be suspicious of the record of American labour, although even io these quarters tha only really justifiable reservations would be flagging industrial productivity, which cannot be pinned purely on labour, and, for the Japanese, wage costs.

Certainly there are no scare stories in the level of strike action. Days lost through industrial action have stayed between 31m a year and 39m a year (in 1978) for the last five years.

More important, union power in the U.S. is definitely waning. At the last official count only 24 per cent of the non-agricultural workforce belonged to a trade union.

The proportion is higher in the industrial Mid-West and highest of all in New York State, where it is 39 per cent, largely because of solid unionism among public workers in New York City.

Reputation

In South Carolina, which maintains its reputation as the country's shrine of anti-unionism, or "right to work," depending on your point of view, the figure is 8.9 per cent.

The traditional weakness of the trade union movement in the South remains the biggest factor behind the falling membership.

Almost one million jobs are thought to bave been exported from North to South in the last decade, partly in search "of a better climate, but also in search of easier labour relations now that the threat of racial tension has eased.

But the southward drift does not altogether explain what has happened to nnion membarship, and it does not even begin to explain the even more surprising response of the labour movement.

Another factor in declining membership is the weakening of traditional heavy manufacturing industries, such as steel and motors, and tha rise of high technology and service industries. An inadequately organised leadership has failed to offer persuasive reasons for union membersbip to workers who are benefiting from the generous if sometimes clammy hand of benevolent capitalism, exemplified and almost glorified by companies like International Business Machines.

Leadership

At the moment, the labour movement and its leadersbip in the American Federation of Labour-Congress of Industrial Organisations (AFL-CIO) seems less intent on meeting these challenges of the 1980s, the neglected challenges of the 1960s, than on repairing the deep divisions within its own ranks and exploring the path of co-operation with a Democratic Administration.

The internal wounds look ripe for healing in the wake of the retirement last autumn of Mr George Meany, 85, the bluntspoken HFL-CIO president for 25 years. His successor, Mr Lane Kirkland, is most commonly characterised as a softer talking, slightly more intellectual version of Mr Meaney, with a strong interest in foreign affairs —a dapartment he was allowed to run at the AFL-CIO even under the authoritarian regime of Mr Meany.

Mr Kirkland may yet prove to be much more than this in spite of his lack of personal charisma. One of his earliest acts was to push through the organisation's ruling council an offer for re-affiliation to three estranged unions—the United Auto Workers, the United Mineworkers and the International Brotherhood of Teamsters—which together bave 4m members, compared with the existing AFL-CIO's 13.6m.

Clearly this was an act of magnanimity, although if accepted it will be a useful first step in improving the political clout of labour at a time when it has become conventional wisdom that the most effective political pressura group in the U.S. is big business.

The second leg of the strategy is the "national accord" which Mr Kirkland bas entered with the Carter Administration, even though that accord is still officially under review following the Budget cutting proposals made by the President in bis March programme for reducing inflation.

Review or not, President Carter has a great deal to be thankful for in tha way the unions bave behaved. Although there were major strikes last year by rubber workers and the teamsters, whose membership extends far beyond road haulage into bospitals and public workers, wages rose by only 8.7 per cent, according to Government figures, while the Consumer Price Index rose by 13.3 per cent last year.

That was the second successive year in which wages have lagged behind price rises—arguably more a symptom of uninn weakness than political support for Mr Carter—and the trend so far this year seems firmly in the same direction.

The AFL-CIO participates in the Administration's council on wage and price stability and is thereby a signatory of the voluntary wage aod price guidelines for this year of 7.5 to 9.5 per cent.

That agreement was reached when inflation looked like being around 10 per cent or 11 per cent this year. It now looks as if it will be closer to 14 or 15 per cent.

The recent steelworkers' settlement was particularly important. It will be expensive for the industry because of its built-in cost-of-living-indexed increases, hut it waa more moderate tban many had feared. The steel union did not press hard for an improvement in the cost-of-living formula of the kind won last year by the car workers.

Another indication of uoion compliance has heen the hehaviour of the United Auto Workers Union over the Chrysler affair. Not only did the union agree to give up some of the wage and conditions gains agreed in its Chrysler contract last summer, but it appears to ba accepting withoot argument the need for Chrysler tn he drastically slimmed down as part of the Government's rescue plan.

All this looks like ensuring that for a third year there will be no wage-pnsh element io U.S. inflation. In a meeting with the AFL-CIO last month Mr. Carter acknowledged as much when he said: "Yon've taken some heat for restraining wage claims. But because of your co-operation, wage increases have not been tho cause of this speed-up in inflation."

Hopeless

It is probable that the apectre of Mr. Ronald Reagan in the White House will keep tha unions on the side of Mr. Carter this year, even though the President appears to be offering little in return. He has refused to legislate against car imports and is firm about the need for Budget economics. Some major unions, including the car workers, supported Senator Edward Kennedy's candidacy, but that now seems hopeless.

Even if nnemployment were to take off from the 6 per ceot around which it has bovered for over a year, fear of Mr. Reagan would probably be too great to change the political loyalties of organised labour this year. But an acceleration in unemployment might have one bonus for the unions—an increase in membership.

Some union officials believe the biggest reason for their lack of success in recruiting new members in the last six years has been the refusal of the U.S. economy to lie down and tumble into a recession.

Ian Hargreaves

LABOUR CONTRACTS TO BE RENEGOTIATED THIS YEAR

May:
35,000 aluminium workers

May-June:
790,000 construction workers

June:
18,000 New York power wurkers
25,000 copper workers

August:
700,000 telecommunications workers

September:
75,000 East Coast dockers

Setember-December:
91,000 textile workers

October-December:
52,000 aerosace workers

Most industries geared for lower earnings

"IT'S JUST bogwash. They just don't know what's happening any more than anybody else on the street does." This intemperate remark, made by the normally temperate Mr. Lewis Foy, chairman of Bethlehem Steel, America's second largest and the world's third largest steel company, sums up well the feeling of the country's chief executives as they bave mounted their podiums at annual meetings and indulged in the obligatory bout of crystal-ball gazing.

Mr. Foy was speaking, should an explanation be required, of economists — professinal economists — and he has some reason to he liverish. If Mr. Foy bad read the steel market as badly as most economists hava read thet U.S. economy in the past couple of years, bis company might well be out of business.

The uncertainty about the economy, compounded and in some respects created by the uncertainty in international and national politics, has made most company chairmen cautious, to say the least, in their lateset round of speeches.

There is not much doubt, bowever, that 1980 will not be a godo year for corporate profitability in the U.S., with the conspicuous exception of the oil iodustry, which to its grave political embarrassmant has provided most of the drama in the quarterly results season just drawing to an end — with reports of doubling or near doubling of net profits widespread across the industry. Exxon, the largest, has nndged General Motors from its notch as America's largest industrial corporation and of the top 10 in the newly updated Fortune 500, no fewer than five are oil companies.

Oil was the star performer in 1979 and looks, despite the windfall profits tax, likely to repeat the act this year, closely followed by the oil service companies such as Schlumberger.

Overall last year, corporate profits came in around 20 per cent higher, but after taking away the leavening supplied by the oil companies, which henefited exceptional from inflation, and the general effects of prica inflation in the economy and the performance looks at best lacklustre. This year, with the economy cooling rapidly, there could ba some nasty surprises in store for company profits.

Heading the casualty list will be the motor industry. Ford will probably make its tfirs annual loss, baving registered a $168.6m loss in the first quarter. General Motors, tha industry leader, was also down, by 87.7 per cent, and Chrysler looks as if it could again emerge as industry's heaviest loss-maker this year—a position it has held four times in the last 25 years.

The motor industry's problems at the hands of importers and an American public reacting to higber fuel costs and record interest rates pass through to the rubber industry, which has problems of its own anyway, baving failed to read the market's switch in prefernece towards the longer lasting radial tyre.

Exploration

The steel industry is looking to tbe oil industry's sterngth and the growing pace of exploration in North America to take up most of the slack in steel demand created by the problems of the motor industry. U.S. Stel, the biggest company, was back in tha hlack in the first quarter after its record-breaking write-off caused by closures at the end of last year. As with the motor industry, imports are a problem.

For the airlines, the cost of fuel is a giant headache. With aviation spirit costing more than double the level of a year ago and demand softening in spite of continued aggressive marketing in the post-Deregulation Act atmosphere, some companies could be seriously hurt. United Airlines, the largest, passed its ordinary dividend after reporting a more than $40m loss. There were big losses too at Transworld, Pan Amarican and Braniff. Mergers could be the order of tha day later this year.

Tha chemicals industry is caught two ways by the energy situation. Although it issuffering from rapidly increasing raw materials costs, these costs bave not ben as great as those experienced by European competitors, with the results that an export boom is concealing some weakness in tha domestic market. Downstream manufacturers suc has Du Point have also suffered from the problems of the motor market, with profits up only 6 par cent in the first quarter. Dow Chemical, the higgest upstream company, with strong interest in agri chemicals, pounded ahead, bowever, with a 30.6 per cent earnings increase.

It seems likely that other

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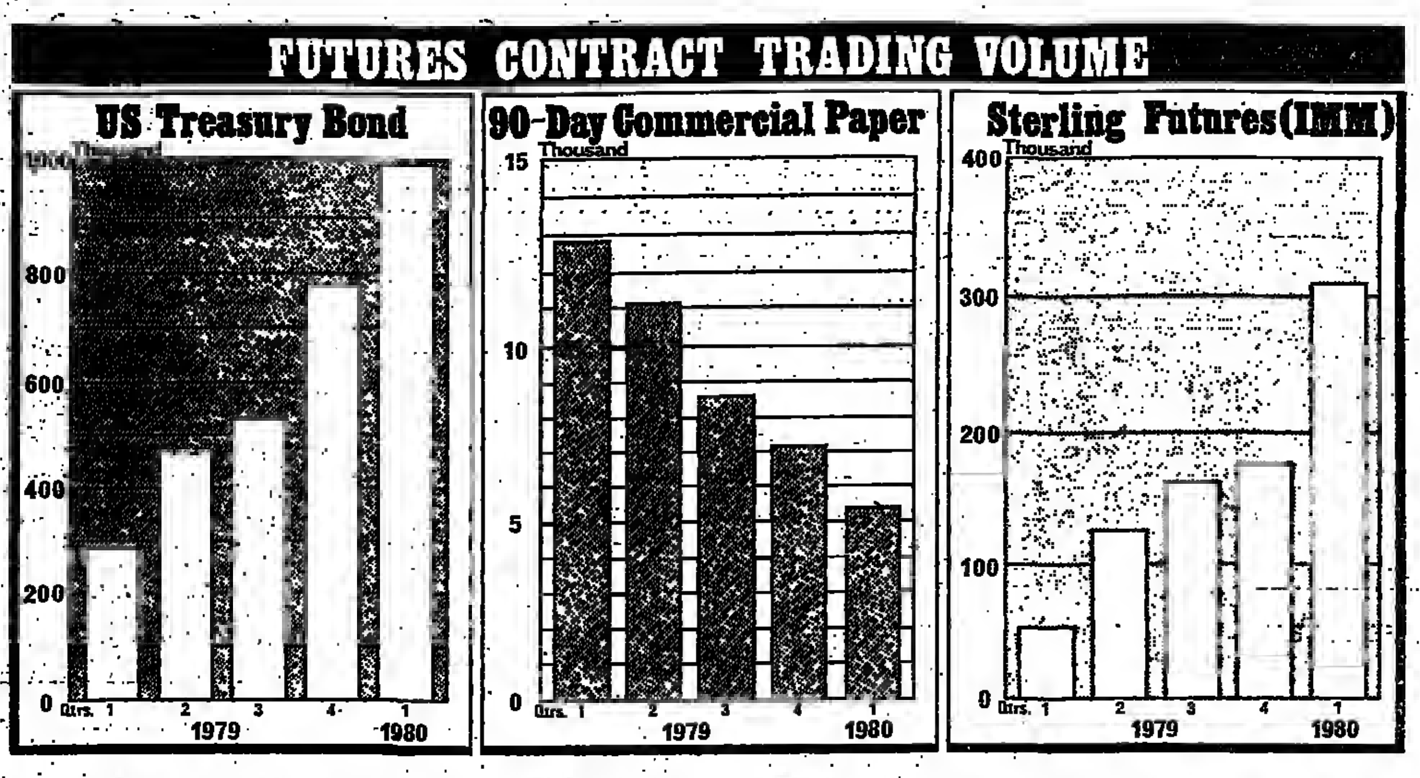
FINANCE AND INVESTMENT IN THE U.S. XI

Financial futures begin to catch on



THE RECENT upheavals in tha credit and foreign exchange markets came just at the right time for America's fledgling financial futures—those little understood hut rapidly growing hedging and speculative instruments. Turnover has soared, as has the range of financial institutions and individuals using them.

Indeed their success has been such that exchanges are falling over themselves to start financial futures of their own, or dream up new ways of applying them. Not all ventures have been successful, of course, and the reaction to innovation still tends to be wary rather than welcoming. But few members of the investment community would deny that financial futures are destined to play a major role in the financial world.

Financial futures come in many forms: interest rates, currencies and, most recently, stocks. But the underlying principle is the same. They offer a means of hedging against changes in hte value of financial instruments: bonds, bills, major currencies and shares.

First introduced in Chicago in tha early 1970s, they are traded like commodities. One tradar enters into agreement with another to buy or sell a given quantity of a particular financial instrument at an agreed price at some day in the future. The price reflects both parties expectations of likely trends in the value of that instrument. A trader who expects the value of a currency or bond to go down will "short" the market, or sell, hoping to buy for delivery at a later date when the price is lower. A trader who expects the value of instruments to rise will go "long" or buy in tha hopes of selling later for a profit.

Portfolio

Since the value of bonds and bills is determined by the level of interest rates, trading in these particular instruments enables an investor to hedge against changes in rates which might affect his investment portfolio. Similarly, currency and stock futures offer a means of protection against changes in the foreign exchange and stock markets.

Financial futures are particularly attractive because, like commodities, they can be bought on margin. The purchaser need put up only a fraction of the value of the contract, which means he can carry a large position at small cost providing the market does not turn too far against him. If it does, he will be required to cover his position by "margin calls."

There are a nnmher of disadvantages, of course. If the investor guesses the market wrong, he will make a large loss. Moreover, no hedge ever offers perfect cover, and simply entering the market usually involves certain costs, whether in terms of opportunity or simply hrokers' fees.

As recent developments have shown, however, the financial futures market, particularly interest rates, was extremely attractive to the investment community in the time of the collapse of the U.S. bond market early this year. Investors, portfolio managers and even pension fund managers who hedged their positions in financial futures correctly will have suffered much lower losses than those who did not.

The fluctuations of the currency market can also he offset by taking appropriate positions in currency futures, though again an investor must to act out of conviction about which way a particular currency is heading.

Share price futures are still only on the drawing board. However, three exchanges (the two large Chicago commodity exchanges and Kansas) have put forward plans for approval by the Washington regulators, a process which could take some time.

Two of the plans are broadly similar in that they propose contracts based on the value of a widely followed stock price index (such as Standard and Poor's). People participating in the market would trade contracts for delivery in cash rather than shares (which were considered to he undesirable for a number of reasons, including complexity).

Thus, as in other types of financial instruments, an investor who aees the stock market declining would short the futures market, and make a profit which would offset his loss in the stock market proper. An investor who wanted to huy stocks in the future hut foresaw a rise in the market before he conld make his move could huy stock futures and sell them at a profit at a later date.

The Chicago Board of Trade thought these plans were too broad, however, since few investors need to protect themselves against moves in the whole market, only in specific sectors. So It proposed instead ten separate contracts based on particular industries like motors, hanking, chemicals, etc., plus an eleventh composite contract.

But the rapidly growing popularity of financial futures has not entirely dispelled the clouds that hang over them. Although the financial authorities in Washington have allowed them to go ahead, the Treasury Is still worried about the implications of interest rate futures for its financing plans, because most contracts are hased on Government instruments like 30-year bonds or Treasury bills.

Securities

Proponents of financial futures argue on the other hand that far from distorting the market, these contracts ease the Treasury's joh of raising money hy enabling investors to hedge whatever positions they take up in Treasury securities.

The foreign exchange markets are also wary of the infinence that the currency fotures market can occasionally exert on the cash market. Sharp movements in futures have heen known to push curreocies np or down, though this usually happpens only on quiet days when there is little else to move the market.

In rushing to start up financial futures of their own, exchanges are having to tailor their contracts closely to the markets' needs. A notable casualty in this respect was the American Commodity Exchange, the financial futures trading subsidiary of the American Stock Exchange. Formed only 18 months ago, it failed to attract a sufficient volume of business to stay alive, and it is currently heing absorhed into the new financial futures exchange that is planned hy the New York Stock Exchange.

Apart from all the technical problems, though, perhaps the greatest barrier confronting financial futures is understanding. All the major exchanges that now trade them have launched sophisticated education programmes designed to explain what—as they admit—are extremely complicated financial devices. In fact the understanding gap is so wide that few people can honestly claim to grasp financial futures completely until they have actually entered the market themselves. The opportunities for hedging, speculation and arbitrage are normally beyond *all* but the most *expert*. But such is the nature of the market that it is often hardened commodity speculators rather than sophisticated financial minds who learn quickest what it is all about.

For the markets themselves, the good news is that ordinary speculators have moved into financial futures in a hig way. While this might seem to defeat the fundamental *aim* of *such* instruments, which is to hedge, their participation adds greatly to the market's liquidity and also helps ensure that prices do not stray too far from the underlying cash market.

D.L.

Lower earnings

CONTINUED FROM PREVIOUS PAGE

companies with exposure to the American consumer ,whose belt is now heing voluntarily or forcibly tightened, will feel a chill in the second quarter. The paper companies, for example, which enjoyed strong demand for their products in the first quarter are now finding problems in this sector to add to their well-established difficulties in a crumbling housing construction market.

The high technology industriea should experience some spio-off from the Carter Administration's decision to step up defence spanding—a mova which will also further help an already huoyant Boeing and the other aerospace companies, which have long order books from the civil aviation industry as it seeks to improve the fuel economy of its fleets.

International Business Machines, however, is still suffering from a customer switch from purchase to leasing of its computers (profits rose by only 2.2 per cent in the first quarter). Burroughs, Sperry and Control Data all had much higger increases.

High interest rates are also a prohlem in industries committed to large capital spending programmes—this is haviog an impact on the relentless growth in profitahility of American Telephone and Telegraph, for axample—but for the financial institutions at the sharp end of Federal Reserve monetary policy, the experience does not appear to he too harmful. With the exception of Citibank, New York's largest hank, most money centre hanks have posted at least modest gains in the quarter.

All in all, despite the scepticism ahout economic forecasting, industry's order books and seat-of-the-pants senses seem to confirm the official Washington view that the U.S. is in for a moderate recession. More doubtful—and here few husinessmen are prepared to make predictions—is how long that recession will last.

I.H.

Administration relaxes its regulatory grip

THE HAND of government on the shoulder of American business is easing its grip.

Since the California tax revolt of 1978 there has been a sustained mood in the U.S. for smaller government, at both federal and local level, for fewer taxes, for balanced budgets, and for less ambitious public programmes. This has also translated into moves to reduce government regulation, which increased very rapidly in the 1970s.

As late as the 1950s the Federal Government regulated only in four areas: finance, transport, communications and anti-trust. It has been in the last decade that the big growth in regulatory agencies has occurred, producing agencies with a major impact on every American business such as the Environmental Protection Agency, the Occupational *Health and Safety Administration*, and the Consumer Product Safety Commission.

Next year, it will cost the Federal Government $6bn to operate *its 56* regulatory agencies.

Complying

Dwarfing this is the cost to the economy of complying with clean air and water laws, which will rise from around $17bn in 1977 to $52bn in 1986 (in con*stant dollars*). *Some economists* claim that regulation overall costs the economy about $100bn a year.

Most of these calculations leave out the benefits of course, which though intangible are often considerable. Environmental regulations such as pollution controls is a major benefit tonnblic health, saving many deaths and so on, while economic regulation, such as that airlines and railways often serves a crucial social purpose such as maintaining links to isolated rural communities.

Certainly no one in their right mind would want, in the light of the Three Mile Island reactor accident in March 1979 and the DC-10 crash in May 1979, which led to the grounding and checks of all U.S. based DC-10s, either the Nuclear Regulatory Commission or the Federal Aviation Administration.

Indeed, virtually every politician has called for the strengthening of the NRC to give it a bigger budget and more personnel, so that safety compliance is left to individual nuclear power companies.

But the Carter Administration has accepted the argument, pushed for a long time by business, that excessive regulation is an important contributory factor to high U.S. inflation and low productivity. This is partly the predeliction of Jimmy Carter, who as Governor of Georgia claimed to have cut state bureaucracy and who as a peanut businessman had presumably struggled with government paperwork.

But it is also the conviction of economists such as Mr. Charles Schulze, chairman of the Council of Economic Advisers and Mr. Alfred Kahn, the and Mr. Alfred Kahn, the President's anti-inflation adviser.

Abolishing regulation would do little to the inflation rate; it would knock less than ½ per cent off it according to some studies. But, unlike OPEC oil price rises it is at least under the control of the U.S. Government. Every anti-inflation programme (there have been several) of the Carter Administration has made mention of de-regulation as one *of its policy planks.*

Even the one form of regulation that would in the short term at least, lower the inflation rate—a compulsory wage and prices freeze, or incomes policy —is eschewed on the grounds that it would create inefficient distortions in the economy, and after the lid came off, the basic *inflation rate* would bounce back higher than ever.

The present Administration has committed itself to de-regulation of natural gas and crude oil prices by autumn 1981, has raised prices pretty sharply at home, and would have done so no matter what OPEC did. But the Carter Administration has actively "encouraged" higher energy prices both as an incentive to the oil companies to develop more sources and as a rationing mechanism to choke off some consumption and demand.

The oil industry may moan about the new windfall profits tax—but if that was the necessary political price for the President to de-regulate domestic prices, then it is better off now.

The flow of new regulatory proposals from the Administration has slowed to a trickle. This is presumably one effect of a March 1978 Presidential executive order requiring all agencies to subject proposed regulations, with an annual impact on the economy of $100m or more, to special analysis to see if the goal could be achieved in some other way.

The Administration has urged Congress, so far unsuccessfully, to adopt a *similar self-disciplining ordinance*.

It is the scrapping of some forms of economic regulation that holds the most promise for quick gains. But it should also be noted that the Administration has more influence over the environmental agencies such as EPA or OSHA which come directly under its executive wing, while the economic regulators such as the Civil Aeronautics Board are quasi-independent and require legislation to change.

The model of success for the Administration is air line de-regulation, pushed through largely by Mr. Kahn, who was

Nearest to emulating the airline success is the push now in Congress to de-regulate the haulage industry. The House of Representatives is still mulling over versions of haulage reform, but in mid-April the Senate passed a Bill that would cut road freight rates by 20 per cent over five years, according to the Interstate Commerce Commission which actually does the regulating. This of course could partly depend on what happens to fuel prices. Airline fares went down after de-regulation, but OPEC increases have since pushed them right back up.

Paradoxically, the ICC is supporting the de-regulation *move, as did the CAB over* airline reform. Both bodies seem happy to do themselves out of business, in the cause of promoting more free enterprise competition by allowing freer entry into the industries, more flexibility on fares and routes, and removing some of the Industry's anti-trust immunity on the fixing of fares.

As the airlines did initially, so are the main trucking interests now opposing the De-regulation Bill—the truck owners because of concern about the rate cuts, the trade unions, particularly the Teamsters, out of worry about a resulting growth in non-organised labour in a de-regulated industry.

However, as again in the case of the airline reform, it is consumers who are backing the de-regulation move. In this instance bodies as diverse as the National Association of Manufacturers and the National Farm Bureau believe there is plenty to gain from an untrammelled trucking indnstry.

Sure, too, is the political support for trucking de-regulation. In addition to having President Carter's blessing, one of its chief sponsors in the Senate is Senator Edward Kennedy. In fact, taking government out of economic regulation—except in the area of anti-trust legislation — has become almost the new political orthodoxy. All the candidates in the 1980 Presidential campaign sound like Britain's Mrs. Margaret Thatcher (or more so) when it comes to getting government off the backs of t he people.

Environmental regulation, and views on it, are less clear-cut. Few people want to turn the clock back on the 1970s. But OSHA, an agency that affects all companies of any size in the U.S., has been under pressure to prune its rules (such as on the exact size and height of all wall-hung fire extinguisbers in the U.S.). Last year it scrapped 1,000 of its less necessary rules. This year there isa Bill in Congress that would get OSHA to direct its key inspections towards the most bazardous industries such as chemicals, refining, and so on, and put less effort in spot checks across the gamut of the economy.

Regulation also vitally affects American *companies* operating abroad because of the extra-territorial reach of the U.S. law, something which infuriates foreign governments but is unlikely to be removed *totally*.

Here again there is a change of mood in the Carter Administration which, in the interests of removing possible disincentives to exports (and, thus helping stem the long-running chain of trade deficits), has promised to clarify U.S. legislation, if not actually modify it U.S. companies complain that the anti-bribery and anti-Israeli boycott laws, with which U.S. companies and their foreign subsidiaries must comply, put them et a competitive disadvantage with European and other fnreign groups.

But there is a *limit* to how much Government regulation should be scrapped, and the Carter Administration has decided the line should be drawn at the Federal Trade Commission (FTC). In anti-regulation ambience this year on Capitol Hill, it has suddenly become open season on the FTC —for the obvious reason that no other agency affects so many aspects of people's lives.

President Certer has made clear he will veto any *legislation* that totally emasculates the FTC. On htc nther hand he looks likely to have to accept a new Bill that will give Congress power *of* veto by *both* Houses on any FTC action.

David Buchan

British groups push ahead in leisure field

AT A TIME when a Briton has just sunk a reported £4m as seed money into a £230m theme park to be built cheek by jowl with Walt Disney World in central Florida, and the UK's largest hotel group has unveiled a massive expansion plan on the other side of the Atlantic, it is perhaps stating the obvious to say there is considerable Anglo-Saxon confidence at least in the future of the American leisure economy.

Certainly there are one or two factors which some might see as reasons for hesitation. It is a brave forecaster who is prepared to put a price on fuel in the mid-eighties, or even to give odds on world peace this year. How quickly will post-selection America ease itself out of the recession? Will travel patterns be permanently disturbed by economic crises and fuel shortages?

Possibly the most pessimistic responses one gets to these questions are from those States which are furtherest removed from the highly populated urban areas. In Utah, Colorado and Nevada there have been in *recent months some very long* faces indeed. All these States, relying as they do on tourists who travel long distances by both aircraft and car, have had some nasty upsets in recent years. The 1979 petrol shortages were very sharp reminder of how important the car is to American tourism. But despite some of the gloomy warnings, the Rocky Mountain ski areas had a pretty good winter season, and the signs seem for the moment set fair for a good summer.

It is in the broadrooms of London and New York that one hears the optimism. There is a strong belief in the basic *strength of the American* economy and a conviction that this strength will emerge later in the decade. This is not just an empty prediction. Company after company is translating its belief into action, particularly in the hotel trade.

According to Mr. Rocco Forte, deputy chief executive of Trusthouses Forte (THF): "The U.S. has many attractions to a business such as ours, as it is a hive of activity in the hotel field."

Indeed the indications are that quite contrary to what has been happening in other parts of the world, hotel occupancies in the U.S. have been improving. "There are a large number of hotels being built and developers are looking for companies to operate them, and it is gratifying that many of these developers are now *coming to* us [THF] as they feel that we can offer a more European type of service than some of the major American chains," says Mr. Forte.

Obviously THF would like to find American investment partners rather than leap in too heavily with its own cash, and it is indeed money, or rather the current cost of it, which is proving a major obstacle, along with rising building costs themselves.

"The rapid increase in the cost of constructing and furnishing a lodging establishment is one of the major deterrents to development at the present time," says Mr. Rudolph L. Leone of consultants Horwath and Horwath. "A major contributor to this increased cost is the high price and scarcity of finance which, though considered a temporary consontion, will remain critical in the next few years."

After that cautious note, however, Mr. Leone turns to more optimistic thoughts. "On the other hand inflation has created a new investor interest in hotel development in the past 10 years because hotels have exhibited an above-average ability to respond to inflationary trends. The flexibility of changing prices daily, if necessary, as opposed to multiple long-term leases in other types of real estate investments, continues to make hotel investments attractive to major institutional leaders who are seeking yields commensurate with the risks ordinarily encountered in real estate ventures."

What has been said there about the hotel industry also applies to a considerable extent to other areas of leisure spending. Disney itself is determinedly pushing ahead with its $800m Epcot Centre, a 200-acre development which will help to push the overall business of the Disney World complex near Orlando to an awesome 25m people a year. The new development should open in 1982, and says chairman Mr. Card Walker, "we take this major step forward for Walt Disney Productions with great confidence. We have looked carefully, even minutely, at not only the creative aspects of Epcot Centre, but also the economic, the business and the marketing potentials."

The prospect of such huge numbers of people being available to look at other things as well as clearly what has helped encourage Mr. Lewis Cartier into his development at Orlando. Mr. Cartier has 1,300 acres of real estate and plans a Tudor village, a Norman castle, Stonehenge and a replica of Big Ben standing by the highway to lure the visitors.

The Cartier plan, modest perhaps by Disney Standards, is huge by that of anyone else. It is the very size of the investments required in the U.S., and the management expertise required to carry them through, that deters many a foreign investor. Most tend to seek out perhaps or, witness the Imperial assault on Howard Johnsons, look for ready-made vehicles.

Luxury

THF has already done this, of course, through Travelodge, but now the company is looking to get its own brand name established, at this time as a luxury hotel operator — a rival to established U.S. up-market operators like Hyatt. "Our presence as Trusthouse Forte is not a very big one [in the U.S.]," says Rocco Forte. "We are actively working to establish a network of luxury THF hotels in the major city centres of the States.

"We are opening our first such hotel in Dallas later this year and we are actively negotiating projects in Los Angeles, New Orleans, Philadelphia, Tulsa, Little Rock, Washington and Houston, and in five years we aim to have a major presence in the U.S. This will create a greater awareness of the THF name and what it stands for, and this will of course help us in selling our UK properties to the American market."

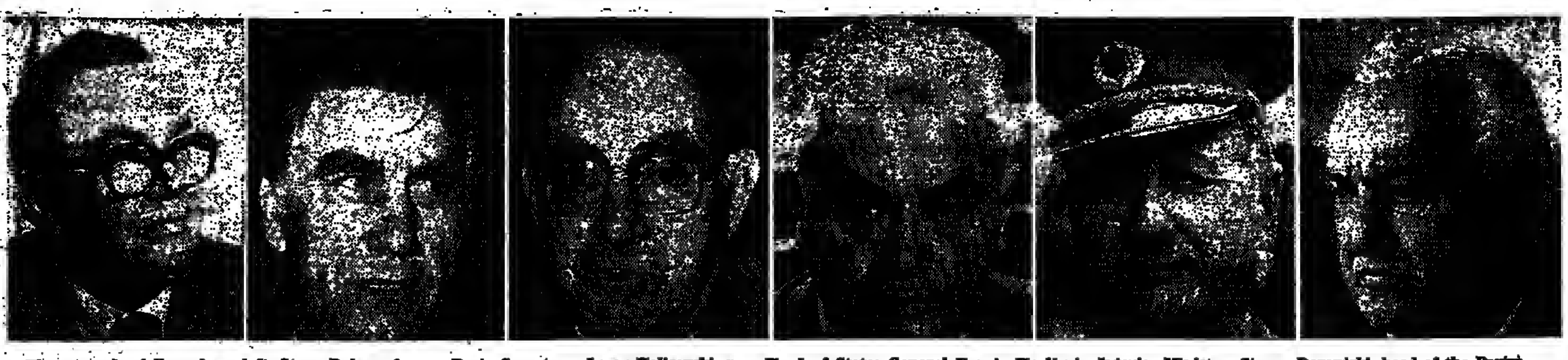
But it is not only in the hotel and theme park field that foreigners, and particularly the British, are seeing current opportunities and future profits. In entertainment Lord (Lew) Grade (Associated Communications) and his brother Lord Bernard Delfont (Thorn-EMI) have both plunged into the film-making and *film distribution scene* with considerable success. Most British television companies have active distribution sides within the U.S. and are now widening their scope to take in domestic and other imported products.

For the moment it is a peculiar pleasure for the British visitor to stay in a Travelodge, sample a Baskin Robbins ice creame, shop at Saks Fifth Avenue and watch the Muppets on TV knowing that all have a British connection. The way things are going such connections will be commonplace.

Arthur Sandles

After Tito: the challenge for Yugoslavia

By ANTHONY ROBINSON, East Europe Correspondent in Belgrade



The men who follow: from left, Stane Dolanc, former Party Secretary; Lazar Kolisevski, now Head of State; General Franjo Herljevic, Interior Minister; Stevan Doronjski, head of the Party; General Nikola Ljubicic, head of the armed forces; and Vladimir Bakaric, Tito's number two.

THE DEATH of President Tito marks the end of an era. He leaves behind a powerful political myth and a political legacy called Titoism. But the man who was described as the first Communist monarch leaves behind no dynasty and no single designated heir. During the past weeks, however, the complex system of collective leadership, carefully prepared many years in advance, has been in effective control of the country. It has been coming to terms with the task of running Yugoslavia without the active presence of President Tito as the final arbiter and ultimate decision maker.

To some extent, therefore, it can be said that the post-Tito era has already started. But the experience of the last 25 years inevitably raises a question mark as to how long before Yugoslavia starts to deviate significantly from the Titoist model. Stalin after all was dead less than three years before Mr. Krushchev denounced him at the 20th party congress in 1956. Mao Tse Tung's aura of quasi-divinity was also quickly redimensioned after his death while Spain surprised the world with the speed with which the real country emerged in all its diversity after nearly 40 years of Francoist autocracy.

There can be little doubt that Tito enjoyed far more genuine personal loyalty and affection than any of those dictators. Tito was the father of modern Socialist Yugoslavia. He led the country to victory against the Nazi invaders, asserted its independence against Stalin and, with ideological backing from his friend and wartime comrade Edward Kardelj, set Yugoslavia on the path of self-management Socialism at home and non-alignment abroad.

Even under Tito, however, the development of Yugoslavia's own brand of self-managing, non-aligned Socialism, was full of zigzags. The constitution was rewritten four times to try to keep pace with the enormous changes which accompanied the transformation of Yugoslavia from a formerly feuding Balkan backwater into an increasingly industrialised and urbanised consumer society.

In spite of this willingness to experiment with political forms, and constitutional practice, however, the less dogmatic of Yugoslav politicians and a considerable part of the intelligentsia and business world have come round to the view that the development of Yugoslav society has outstripped the capacity for change of the party and political establishment.

This was the view, for example, of Mr. Kardelj himself, who made a major effort to update the ideology with his theory of "the pluralism of self-managing interests," but who died last year before this theory could be fully explained.

President Tito himself was almost certainly one of the principal factors restraining the natural course of events. He after all had a deep emotional attachment to the Soviet revolution, shared by none of the succeeding generation, and a profound commitment to a form of Socialism which in many ways has been overtaken by the impetuous advance of a consumer oriented society far removed from the original ideals of the heroic wartime partisan generation.

It will probably be only a question of time before the complex reality of this country of 22 million people divided into 18 ethnic groups, six nations, three religions and with enormous economic, social and cultural differences between North and South, becomes more apparent and politically articulate. The task of maintaining the essential unity of the country, so vital to its survival, will be the ultimate test of the new generation of politicians who will eventually emerge once the initial post-Tito leadership gives way to the younger politicians now waiting in the wings. In the meantime it is now the turn of President Tito's own chosen successors.

Formally, Tito's position as Head of State has been taken by Mr. Lazar Kolisevski, a 66-year-old former partisan and the representative for his native Macedonia in the eight-man collective State Presidency. This is made up of one representative from each of the six republics and two autonomous provinces. President Tito was president for life. His successors will be president for one year only on a strict rotating basis. Mr. Kolisevski's tenure ends in May. Tito was also president of the League of Communists. The new titular head of the party is now Mr. Stevan Doronjski, but he will have to relinquish this post in October when his one-year mandate expires.

Another member of the 23-man collective party presidency will then be chosen in his place. The party presidency consists of three representatives from each of the six republics—Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Macedonia and Montenegro—and two from the autonomous provinces of Kosovo and Vojvodina, plus a representative of the armed forces.

Although formal state and party power at a federal and republican level is divided up in this way among rotating collective institutions, political observers here believe that much of the real, effective political power lies in the hands of a relatively small group of President Tito's former closest advisers.

Prominent amongst these are 68-year-old Vladimir Bakaric, the ex-partisan from Croatia, who is considered to be Tito's deputy, Mr. Milos Minic, the former Foreign Minister and Tito's chief foreign policy adviser, Mr. Stane Dolanc, the relatively young 55-year-old former party secretary from Slovenia who helped Tito steer the party through the difficult period of "nationalist euphoria" in 1971 and Mr. Branko Mikulic, from Bosnia, who is generally considered a conservative.

In addition, the "inner circle" also includes Gen. Nikola Ljubicic, head of the 259,000-strong armed forces, Gen. Franjo Herljevic, the Interior Minister, who is also chief of the international security forces, and the Prime Minister, Mr. Veselin Djuranovic, who is considered an economic specialist.

In the immediate future, however, the Yugoslav authorities discount the likelihood of any attempts at military intervention in Yugoslavia's affairs. The possibility — however remote—of Soviet intervention some time in the future, is seen as less of a problem than the possibility of internal political tension and inter-republican rivalries brought on by essential economic factors.

Tackling Yugoslavia's economic problems will be the first priority for the post-Tito regime. In 35 years since the war massive sociological and economic changes have taken place. A fragmented, backward and largely peasant society has given way to a 60 per cent urbanised, consumer-orientated country. The heroic partisan generation who went through war, revolution and the traumatic break with Stalin in 1948 are now a small minority. Around 60 per cent of the population is under 35 years old. They are better educated, more pragmatic and lack any identification with the Soviet Union.

What is more, there are increasing signs that many politicians and economists are coming round to the view that greater freedom and guarantees for private enterprise, coupled with less political interference in the affairs of the self-managing enterprises, is the best way of getting Yugoslavia out of its current economic difficulties.

Looking at the economic statistics it is easy to see why. Higher than planned investment, higher wages and increasing demand from State and local authorities led to an inflation rate in excess of 20 per cent last year. Over-heating sucked in imports and depressed exports. The trade deficit rose by 50 per cent to \$6.5bn and the foreign debt increased to about \$13bn. The target this year is to reduce the balance of payments deficit from \$3.5bn in 1979 to \$2bn. This has been agreed in principle in all the republics, which have individual responsibility for their own foreign trade equilibrium. But the republics could not agree among themselves as to who should make the necessary sacrifices.

Each republic wanted a bigger share of hard currency allocations and import licences for itself. But when these sums were added up, the result was a forecast deficit of \$5bn and this is clearly unsustainable. This problem still has to be solved. The republics have to be persuaded to cut down their investments, workers have to be convinced that wages and salaries have to be frozen—and that new job creation will be cut back. This is not easy in a country which already has around 12 per cent unemployed.

Regularising the economy will be a major problem in the post-Tito period—and a major test of the political skills of the new leadership. What complicates their task is the wide gap in living standards between the north and south of the country. The wealthier republics like Slovenia and Croatia are reluctant to share their wealth with relatively backward and poor Macedonia and Kosovo. Yugoslavia, like Italy, has its own north-south problem and the solutions are gradual and long-term.

In its own way, Yugoslavia has developed many of the characteristics of a pluralistic society in recent years. There is no desire to go back to the rigid Soviet model. The future is seen to lie in a more open and pragmatic discussion of problems and their solutions. At the same time, however, pressures are mounting for more efficient monetary and fiscal policies and other instruments controlling the direction of the economy. This is coupled with a strong commitment to develop pluralism but only within the framework of the one-party system. In foreign affairs, there remains a broad concensus in favour of the non-alignment policy and of independence — but not equidistance — from the great powers and their allies. Such policies would move Yugoslavia closer to the sort of economic and social pluralism practised in the west while keeping much of the authentic Yugoslav flavour inherited from Tito.

Last of the post-war giants

MARSHALL JOSIP BROZ TITO, President of Yugoslavia, was the last of that early generation of political giants who stamped their mark on the turbulent course of 20th century history. He was born in 1892 in a small village on the border of Slovenia and Croatia when both were part of the Austro-Hungarian Empire. His father was a poor peasant but Josip Broz (Tito was added much later as a party code-name) trained as a metal worker.

As a soldier in the Austro-Hungarian army at the outbreak of World War I he was first arrested for anti-war propaganda and subsequently sent to the Russian front where he was wounded and captured. For more than a year the deep lance wound inflicted by a Circassian cavalryman left him fighting for his life. His survival was a tribute to his will and the tough constitution which carried him through to a vigorous old age and his over-three-month-long final struggle.

By the time he recovered revolution had broken out and for nearly three years Tito lived an adventurous life in Russia surrounded by the turmoil of revolution and civil war. His role was essentially that of a bit-player in the enormous drama. But his contact with the Bolshevik revolution coloured his future political career and left him with a deep personal and emotional attachment to the Russian Revolution.

When he returned to his native village of Kumrovec in 1920 he brought his first, Russian, wife back with him to what was now part of the Kingdom of Yugoslavia. Soon he joined the Yugoslav Communist Party and by 1928 was secretary of the party in Zagreb. His activities attracted the attention both of the local authorities and the Comintern, whose agent he became. Long years of exile, mainly in Vienna and Moscow followed. By luck as much as judgment he escaped the Stalinist purges and emerged as general secretary of the Yugoslav Communist Party in 1937.

In April 1941 the Nazi's invaded Yugoslavia on several fronts and the Royal Army capitulated in ten days. It was the start of four harsh, cruel years during which Tito's communist-led partisans simultaneously fought the Nazi invaders, their Yugoslav fascist accomplices and the other partisan armies. It became a war of national liberation and political revolution at the same time.

Tito—outlived his natural successors

Charismatic

In October 1944 the partisans came down from the mountains where they had fought bitterly for over three years and occupied Belgrade at the same time as units of the Red Army.

The joint liberation of Belgrade and the fact that Tito persuaded Stalin that the partisans were capable of liberating the rest of the country proved to be of enormous subsequent significance. It freed the Red Army to pursue their advance into Hungary and ensured that no Russian troops were on Yugoslav soil after the end of the war.

Tito emerged from the war with enhanced personal prestige and the status of a charismatic leader. Having defeated both Hitler and defendants of the old order the newly installed communist regime embarked on wide ranging social and economic reforms at home and a foreign policy which brought Yugoslavia into conflict with the West over Trieste and over support for the communist uprising in Greece.

To western eyes Tito appeared to be acting as a hard line Stalinist both at home and abroad. Moscow's appreciation was very different. Stalin watched with growing suspicion the development of Tito's self-confidence and Yugoslav national pride. Signs of Soviet displeasure multiplied but remained completely hidden to the world until, on June 28, 1948, Yugoslavia was expelled from Cominform and declared a pariah of the world communist movement. Tito was as shocked and surprised as everyone else. But Stalin's confident prediction that he only had to move his little finger and Tito would fall proved to be one of the great miscalculations of the century.

Tito moved fast to mobilise the country behind him and condemned thousands of suspected pro-Stalinists to long years of harsh imprisonment. Blind pro-Sovietism gave way to an increasingly critical look at Soviet reality. From this point Yugoslavia moved steadily away from the Soviet model and, under the influence of brilliant Marxist intellectuals like Milovan Djilas and Edvard Kardalj, developed its own brand of communism. By so doing Tito and Yugoslavia earned their place in history by creating the first split in the hitherto monolithic Soviet-led communist world movement.

Since then Yugoslavia has been involved in the constant evolution of its own unique brand of self-management socialism at home and non-alignment abroad. The path was neither smooth nor easy. Tito himself played a key role throughout this period as undisputed head of the communist party, the armed forces and the Yugoslav federal state.

He never hesitated to intervene whenever he felt that the unity or delicate equilibrium of Yugoslavia was threatened. In the early 1950s he broke with his old wartime comrade Djilas whose theoretical writings about the abuse of power and the creation of a "New Class" of privileged Communist bureaucrats not only offended the old guard, and challenged the authority of the Communist Party, but also threatened the possibility of rapprochement with the Soviet Union opened up by the death of Stalin. Djilas was jailed and in June 1955 Kruschev came to Belgrade to offer the olive branch to Tito. It was the first step in that on-off, love-hate relationship which has continued ever since but which has been tried to breaking point by the Soviet invasion of Afghanistan.

In 1965 Tito broke with Rankovic, the secret police chief who was another of his wartime friends. Apparently unbeknown to Tito Rankovic had used his powers to build up a strong personal position by abusing the power of the secret police and a surveillance network which even monitored Tito himself. Rankovic became the spearhead of opposition to the liberal economic and social reforms approved by the Eighth Congress in 1964. His removal and the subsequent purging of the security apparatus was the prelude to an IMF and World Bank aided economic reform programme. This led to greater devolution of economic power to enterprises accompanied by devolution of political power to the republics and a reformed and renamed League of Communists.

Tito's willingness to purge even his closest friends if necessary also extended to his relations. His third wife Jovanka, a former partisan secretary whom he married after the death of his second wife during the war, fell from grace in 1977, allegedly because of suspicion that she used her position to promote the career prospects of fellow-Serb generals.

Yugoslav-Soviet relations reached a new low after the Soviet invasion of Czechoslovakia but the subsequent blossoming of detente increased Yugoslavia's freedom for manoeuvre in foreign affairs. Meanwhile domestic pressures built up in 1971 with the outburst of "national euphoria" in Croatia.

Once again it was Tito himself who moved in to nip in the bud what he and many other Yugoslavs saw as a clear threat to Yugoslav unity. Tough repressive measures were, however, followed by bold moves to eradicate the causes of discontent. More powers were delegated to the six republics and two autonomous provinces in the 1974 constitution. A new "delegate system" was set up to increase local participation in social and political life and in 1978 the party congress ratified a new party organisation. The aim was to give a new structure to the League of Communists and increase its presence in all aspects of Yugoslav life. At the same time, a new system of rotating presidencies was created at party, federal and republican level.

This is the structure which Tito has bequeathed his successors. The man who steps into his shoes under this system is Lazar Kolisevski, the State Presidency representative from Macedonia.

The new leadership takes over a Yugoslavia which has been transformed over the past 35 years and on which Tito has left an indelible mark. Not the least of Tito's accomplishments was his ability to deliver higher living standards and a far greater degree of liberty than in any of the Soviet bloc countries.

Non-aligned

He also emerged as a champion of the Third World by his leading role as founder member of the non-aligned movement along with Nehru and Nasser. One of his last achievements was to help head off a Soviet-inspired Cuban attempt to subvert the movement and make it little more than an organised claque for the Soviet Union.

Unlike the false and hypocritical puritanism of other communist leaders Tito was an ostentatious bon-viveur and sharp dresser. He loved luxury, pleasant surroundings, hunting, the company of beautiful women and had a strong streak of vanity. He lived an adventurous courageous life to the full and wanted Yugoslavs to have a good life themselves. In recent years however Yugoslavs have consumed more than they have produced. This leaves behind considerable economic problems. Furthermore, by outliving his natural successors and preventing the emergence of a recognised heir apparent Tito also inevitably created a succession problem, in spite of the constitutional blueprint.

Considerable skill and self-discipline will be required if his legacy of a united, prosperous and independent Yugoslavia is to be preserved.

To-day's Events

UK: Lord Scanlon, Engineering Industry Training Board chairman, Sir Alex Jarratt, Reed International chairman and chief executive, Mr. Bob Ramsey, Ford Motor Company industrial relations director, and Mr. Jim Mortimer, Advisory Conciliation and Arbitration Service chairman, are among speakers at Institute of Personnel Management conference on power and the trade unions, London (until May 8).

Mr. Peter Walker, Agriculture Minister, speaks at vineyard replanting ceremony, Leeds Castle, Kent; and at Oxford Tory Reform Group meeting.

National Enterprise Board report and accounts published.

Mr. Norman Fowler, Transport Minister, and Mr. John Silbermann, RHA national chairman, speak at Road Haulage Association annual dinner, London.

Mr. Michael Heseltine, Environment Minister, launches West End clean street experiment, Automobile Association headquarters, Leicester Square, London.

International Philatelic Exhibition opens, Earls Court (until May 14).

Overseas: EEC Foreign Ministers meet in Brussels.

EEC Agriculture Council meets in Luxembourg.

Second day of Financial Times conference: World electronics—strategy for success, Monte Carlo (until May 7).

Pope John Paul starts three-day visit to Kenya.

PARLIAMENTARY BUSINESS

House of Commons: Social Security Bill, report. Industrial Training Levy (Engineering) Order. Census Order 1980.

House of Lords: Timetable motion on Social Security (No. 2) Bill. Port of London (Financial Assistance) Bill, remaining stages. Local loans (increase of limit) Order.

OFFICIAL STATISTICS

Wholesale price index numbers (April—provisional).

COMPANY MEETINGS

See Financial Diary on page 8.

COMPANY RESULTS

Final dividends: Costain Group. Geers Gross. John Laing. Marshalls Universal. Mothercare. Third Mile Investment. Interim dividends: The Moss Engineering Group. Wellco. Holdings. Whessoe.

Letters to the Editor are on Page 8

Laird ends slightly lower after decline in second six months

SECOND-HALF profits of Laird Group dipped from £6.29m to £5.69m leaving the taxable surplus just behind at £10.73m for 1979, compared with a record £11.12m. Turnover expanded by £56m to £207m.

Sir Ian Morrow, chairman, tells members in his review with the accounts that since the start of the current year the group's position has strengthened, and there are substantial resources available to support further development to secure the future.

A divisional analysis of turnover and pre-tax profits for 1979 shows (£000s): metal industries £43,264 (40,790) and 2,916 loss (1,78 profit); transport engineering 93,903 (48,052) and 9,248 (5,040); motor components and other engineering 63,514 (54,979) and 4,412 (5,556) and shiprepairing 7,365 (7,158) and 10 loss (1,358).

Profits from transport engineering rose sharply mainly as a result of an increase in deliveries of trams for various projects including the Mass Transit System in Hong Kong.

The motor components side faced severe difficulties, Sir Ian states, in the UK—a rationalisation programme has been necessary to improve profitability, he adds.

In the metal industries sector, the main problem was the sharp setback in steel, where there were losses of £2.2m.

As announced at the end of February, it was decided to close the Patent Shaft Steel Works with a loss of 1,500 jobs. A provision of £18m has been made for the book write-offs, redundancy provisions, and terminal losses.

Tax charge for the year took £3.05m (£4.09m), and after an extraordinary debit of £729,000 (£690,000) the available balance came through higher at £6.96m against £6.33m.

Stated earnings per 25p share are 15.2p (13.92p) fully diluted, and the dividend is effectively raised to 3.4p (2.71091p) net with a final payment of 1.7p, payable June 16.

After the dividends cost, of £1.65m compared with £1.3m, the retained amount was £5.31m (£5.03m).

Year-end balance sheet shows fixed assets of £54.06m (£42.93m), and net current assets totalling £25.98m (£19.75m). After the Patent Shaft provision total assets were £67.83m (£67.13m).

On a CCA basis pre-tax profits are adjusted to £7.62m, fixed assets to £63.38m, and net current assets to £26.42m.

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FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Bell Industries (Section: World Markets—New York). Centrale (World Markets—Italy). Credito Varessino (World Markets—Italy). Laganvale Estates (Property). London Merchant Securities Defd. (Trusts—Finance, Land). Offshore Oil (Oil and Gas). Pict Petroleum (Oil and Gas). Toro Assic. Ord. and Pref. (World Markets—Italy).

Sun Life long-term business over £1bn

LONG-TERM BUSINESS funds of the Sun Life Assurance Society passed the £1bn mark in 1979, reaching £1.04bn at the end of the year from £887,000 at the beginning. Premium income rose by 13 per cent from £163,000 to £185,000 and investment income by 25 per cent from £81,000 to £102,000. Claims and expenses were 16 per cent higher at £139,000 compared with £120,000.

Mr. Philip G. Walker in his chairman's statement points out that the difficulties in the mortgage market last year allowed the Society to lend about £25m on its top-up mortgage scheme thereby generating a substantial amount of life business. A further £49m was invested in fixed-interest stocks and £36m in equities.

In the property investment sector, Mr. Walker says the Society is concentrating on direct development and has a substantial programme of commitments which will take several years to complete. During last year it also continued with its policy of purchasing good quality commercial properties but experienced difficulty in acquiring sufficient buildings for its needs.

He refers to the developments of the Society's business last year in both the life and pensions field. It has made use of direct mailing in selling contracts, particularly to existing policyholders.

This year, the Society is setting up a direct sales force to operate in the unit-linked field, selling both life and pensions plans. Mr. Walker does not see this move as in any way detrimental to the interests of the insurance broker contacts, which will remain the cornerstone of the group's marketing success.

Premiums inadequate to cover risks says Phoenix chairman

THE problems of the present significant excess capacity in many of the world's insurance markets are discussed by Mr. Jocelyn Hambro in his chairman's statement accompanying the 1979 report and accounts of Phoenix Assurance Company.

Competition, he states, has grown to the point where risks can only be written at inadequata premium rates. In such conditions, the company has the unenviable alternative of either accepting such business, with the nea rcertainty of underwriting losses, or of turning away premium income needed to contain the ever mounting expense burden. If the insurance market is to prosper, then it needs to press vigorously for premium levels commensurate with the risks undertaken.

Mr. Hambro also expresses concern over the ever increasing cost of personal injury awards impinging on motor and liability covers. These increased levels of compensation affecting all injury claims and not just the large ones which make the headlines, mean insurance companies must recoup their expenditure in the form of higher premiums from the general public.

As already reported, the fire an daccident insurance account had an underwriting loss in 1979 of £13.9m against £2.7m in 1978 and the marine and aviation account a loss of £200,000 against a breake-even position. The UK fire and accident account was hit by the exceptionally bad weather last year.

A successful year was reported for the group's long-term business. Preminm income improved by 3 per cent from £94.6m to £97.8m, the underlying growth bein ghigher, while investment income advanced by 20 per cent from £43.5m to £52.3m. Claims and expenses rose by 16 per cent from £72.2m to £83.7m. Overall the long-term funds at the end of 1979 stood at £546.7m against £492.7m at the beginning.

WDA permits Leiner to resume production

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WELSH Development Agency gave the go-ahead at the weekend to the resumption of gelatin manufacture at the Treforest South Wales, premises of P. Leiner and Sons, the company which crashed into receivership in February with debts of several millions.

The WDA issued a licence to a consortium assembled by Mr. Jack Loveland, Leiner's former Chief Executive and Managing Director, and led by Mr. Marshall Kaye, to occupy and use part of the former company's buildings pending negotiation of a permanent lease.

The consortium also includes three other former executive directors of Leiner's and Mr. Campbell Allan, representing Gartmore Investments. Production mainly of photographic gelatin got underway immediately. The new enterprise presently employs only 16 people, compared with Leiner's workforce of some 380. However it is hoped to step up employment in the new enterprise to 92 within six months.

The incapulation facilities on the site have already been disposed of by the Receiver to R. P. Sherer, a U.S.-owned Slough-based company specialising in incapsulation.

A WDA spokesman stressed the agency was not involved in any way in the funding of the new enterprise. It seems rent and services for the occupied biudings will have to be paid to the WDA in advance in its capacity as landlord of the Treforest Industrial Estate.

The collapse of P. Leiner, once one of the world's largest gelatin producers was surrounded by controversey. Only a year before being put into receivership, the WDA made a £2m capital injection into the company and was also left with a shortfall of over £1m for unpaid rent and services last February. Before taking up his appointment at Leiners Mr. Jack Loveland, the former chief executive and now a member of the new consortium, was investment director of the WDA.

News Intnl. to spend £29m

FUTURE CAPITAL expenditure of News International, 49.9 per cent-owned newspaper group of News Limited, of Australia, totals £29.62m for 1980, compared with £4.47m last year.

As reported on April 16, taxable profits for 1979 reached a record £27.97m (£24.93m). Mr. Rupert Murdoch, chairman, tells members that News Group Newspapers, the main subsidiary which pnblishes The Sun and the News of the World, showed an increased profit despite losing 36m copies durin gthe year.

Meeting, 1, London Wall, E.C., bn June 11, at noon.

MINING NEWS

Rio Tinto: Zimbabwe cash need

THE Rio Tinto group of companies in Zimbabwe plans to raise further capital from shareholders to finance a development plan. This was made clear at the annual meeting by Mr. W. V. Rickards, the chairman.

The decision follows the agreement of the parent company, Rio Tinto-Zinc of London, to invest a further £5m in the Zimbabwe group. RTZ's shareholding will settle at 51 per cent after a reorganisation of holdings has been completed.

"All the shareholders (in the Zimbabwe company) should be given the opportuoity to participate in the financing of the development of the group's new projects through a rights issue of shares," Mr. Rickards said.

Details of the rights issue will be released after an extraordinarp general meeting to approve an increase of the authorised share capital.

The main mining ventures moving forward at Rio Tinto are Renco gold and the Zinca platinum projects.

In the first quarter the group had an after-tax profit of Z$1.7m (£1.2m) compared with Z$340,000 in the same period of 1979. Mr. Rickards said he would expect this year total dividend payments of 20 cents. For last year the payments were 18 cents.

* * *

The life expectancy of Stilfontein, the South African gold-uranium producer in the General Mining group, has been extended beyond the previously stated five years as higher gold prices have permitted mine development in previously unpayable areas. Mr. J. C. Fritz, the chairman, said that the 85 per cent owned Chemwes uranium plant is producing material in excess of contractual commitments but further sales will ba obtained this year.

* * *

Anglo American Corporation of South Africa may resume mineral prospecting in Zimbabwe, Mr. Harry Oppenheimer, the chairman, was quoted as saying by the Salisbury press. He apparently said that prospecting was one of the issues he was in the Zimbabwe capital to discuss. Anglo withdrew its exploration teams from the country in 1977.

* * *

In the latest reorganisation of the Canadian natural resources interests of the Brascan group, Western Mines has agreed in principle an exchange deal which will give it possession of all the shares in Brascan Resources. Western Mines is 51 per cent owned by Brascan Ltd., while Brascan Resources ie 99 per cent owned by Brascan Ltd.

STOCK EXCHANGE TURNOVER IN APRIL

Gilts turnover up £6bn but equities fall £300m

BY GEOFFREY FOSTER

BUSINESS in stock markets improved sharply last month, mainly reflecting an upsurge of trade in Government Securities. Total turnover in April, at £17.09bn, was up £6.7bn, or nearly 65 per cent. The FT Turnover index for all securities rose from March's 316.8 to 523.7, well above the 1979 monthly average of 431.5.

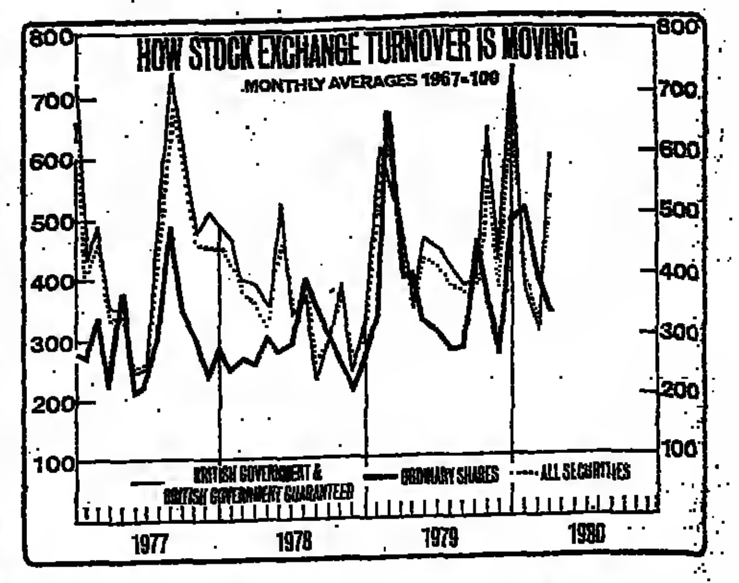
Hopes that the Minimum Lending Rate would be cut during the summer in the wake of reductions in U.S. prime rates, sparked off heavy foreign and local buying of gilt-edged stocks during the month. Business in the Government Funds jumped £6.86bn, or nearly 95 per cent, to £14.1bn, with trada in the shorts up £4.88bn to £8.66bn. Trade in other government securities amounted to £5.4bn, a rise of £1.98bn. The number of bargains rose fractionally, to 83,049, while the FT Turnover index for Government Securities rose to 596.9 from March's 306.4. The 1979 monthly averages was 454.8.

Business in equities, however, contracted further with concern about the worsening U.S./Iran situation, the Saudi Arabian diplomatic tiff and inflationary wage demands deterring investment interest.

Equity turnover last month slipped 300m to £1.88bn, with the number of bargains down by 44,160 to 310,398. The average value per bargain was slightly lower at £6,052, while the FT turnover index for Ordinary shares fell in April to 335.2 from 383.1 in March.

Share prices of the miscellaneous industrial leaders showed resilience, moving quietly forward in sympathy with the strength of gilts. From an end-March level of 427.0, the FT Industrial Ordinary Share index moved up 13.4 on the month to 440.4.

The tense Middle East situation prompted renewed demand for gold and consequently the bullion price closed the month $10¼ an ounce higher at $514¾ after touching $550½. This in turn helped gold shares, and the FT Gold Mines index finished 28 points higher at 301.4.



Category	Value of all purchases & sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Govt. and British Govt. guaranteed: Short dated having five years or less to run)	8,461.6	50.7	32,712	7.4	433.1	264,785	1,635
Others	5,440.7	31.8	50,337	11.4	272.0	108,086	2,517
Irish Government: Short dated having five years or less to run)	341.8	2.0	1,545	0.4	17.1	221,219	77
Others	217.8	1.3	6,654	1.5	10.9	32,738	333
U.K. Local Authority	380.9	2.2	8,295	1.9	19.0	45,915	415
Overseas Government Provincial and Municipal	10.7	0.1	1,847	0.4	0.5	5,812	92
Fixed Interest Stock Preference and Preferred Ordinary shares	157.2	0.9	29,237	6.6	7.9	5,378	1,462
Total	15,210.8	89.0	130,627	29.6	760.5	116,445	6,531
Ordinary shares	1,878.5	11.0	310,398	70.4	93.9	6,052	15,520
Total	17,089.3	100.0	441,025	100.0	*854.5	*38,749	*22,051

* Average of all securities

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BIDS AND DEALS

6bn Grand Met moves one step 00m closer in Liggett battle

BY JOHN MAKINSON IN NEW YORK

GRAND METROPOLITAN yesterday cleared another legal hurdle in its battle to proceed with the $415m (£184m) takeover bid for Liggett, the U.S. tobacco and drinks group.

In proceedings before the South Carolina Securities Commission, the Hearing Officer has recommended that the Securities Commissioner permit the offer to go ahead. The Securities Commissioner had earlier served a restraining order on Grand Metropolitan, pending a decision on the offer's "fairness."

Liggett now has until tomorrow to lodge any objections to the offer, after which the Securities Commissioner has five days to take a final decision. It is widely expected, however, that he will deliver a ruling by the end of this week.

If the Commissioner finds in favour of Grand Metropolitan, the British group will have overcome obstacles to the bid in three state courts. Delaware and North Carolina, the other states in which injunctions against the offer had been served, have already removed the blocking orders.

Grand Metropolitan still does not have the go-ahead, however, since Liggett has filed a suit with a Federal Court seeking to block the takeover. Grand Metropolitan has itself sued Liggett in an attempt to prevent the U.S. company from selling a drinks subsidiary, Austin Nichols, to the French Pernod Ricard Group.

Liggett said later that it had completed the sale of its subsidiary Austin Nichols to Pernod Ricard but had no further comment. A spokesman for Grand Metropolitan said that he was not aware that the sale had been executed.

EAST LANCS. PAPER

East Lancashire Paper Group has been informed that Greenbrook Securities has acquired a further 70,000 ordinary shares and now owns 785,000, representing 14.4 per cent of the capital.

Greenbrook is an unquoted company controlled by members of the family of Mr. Joseph Green and is the parent company of the formerly quoted British Industrial Holdings.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Moss Engineering, Wellco, Whessoe.

Finals:—Costain, Geers Gross, John Laing, Marshall's Universal, Mothercare, Jefferson Smurfit, Third Mile Investment.

FUTURE DATES

Interims:—

Associated Engineering	May 22
Concentric	May 22
Fulcrum Investment Trust	†May 7
K Shoes	May 20
Rank Hovis McDougall	May 13

Finals:—

Advance Laundries	May 21
Bishopsgate Trust	May 15
Courtaulds	May 29
French Kier	May 12
Garner Scotblair	May 9
Heath (C. E.)	May 20
L.K. Industrial Investments	May 8
Moss Bros.	May 8
Scarn Holdings	May 7
Usher-Walker	May 8
Whitbread Investment	May 15

† Corrected.

SHARE STAKES

First National Finance Corporation—The Electricity Supply (Staff) Superannuation Scheme has disposed of its entire holding of 7,036,495 shares (more than 5 per cent).

Prestwich Parker — Heywood Motors and associates are beneficial owners of 227,500 shares (10.07 per cent).

CLIFFORD'S DAIRIES

Clifford's Dairies, determined to foil Unigate's £10m bid attempt, is urging shareholders to vote in favour of the proposed £1.5m rights issue and thus nullify one of the conditions of the unwanted offer.

Mr. Gordon Clifford, the chairman, says the Board knows that the majority of shares will be voted in favour of the issue. He adds, moreover, that the company is financially strong and needs no assistance from any outside party.

Unigate already owns a small proportion of the Berkshire-based company's shares, but around 60 per cent is in the hands of the Clifford and Smith families, including a quarter held by Board members.

Unigate's bid depends on Clifford's rights issue not proceeding. Its attempt to take over Clifford's follows last year's sale of its creameries to the Milk Marketing Board, for which it received £87m.

W. & E. TURNER

J. Hepworth's offer for W. and E. Turner has gone fully unconditional, with valid acceptances from holders of 10.19m new Turner shares and the same number of deferred. This represents 96.2 per cent of each class of its capital. Under the share election, valid elections have been made to receive 2.2m ordinary Hepworth shares instead of cash.

AMERICAN MARKETS

NEW YORK, May 5.

GOLD ATTRACTED light dealer buying on Tito's death, while light commission house liquidation kept pressure on silver values. Copper was mixed on selling stimulated by recessionary fears. Sugar was higher on commission house buying encouraged by bullish fundamentals. Coffee was higher as short covering developed on reports of low temperatures in Brazilian coffee growing areas. Cocoa was lower on bearish chart patterns. The grain and soyabean complex was sharply higher on dryness in major growing regions. The livestock complex was sharply higher on commission house buying encouraged by a reduction in the U.S. prime lending rate, reported Heinold.

Copper — May 88.00 (87.80), June 88.80 (88.60), July 89.90, Sept. 91.90, Dec. 94.40, Jan. 95.10, March 96.50, May 97.90, July 99.30, Sept. 100.70, Dec. 102.80, Jan. 103.50, March 104.90.

Potatoes (round whites)—Nov. 71.8-72.3 (70.5). Sales: 42.

Sugar—No. 11: July 27.98 (27.40), Sept. 28.40 (27.53), Oct. 28.69, Jan. 29.08, March 29.50, May 29.47, July 29.54, Sept. 29.51, Oct. 29.79. Sales: 18,850.

Live Cattle—June 64.15 (63.55), Aug. 64.12 (62.75), Oct. 62.85, Dec. 63.35, Jan. 64.00, Feb. 64.42, April 64.50.

Live Hogs—June 34.20 (33.97), July 35.90 (35.17), Aug. 35.45, Oct. 35.45, Dec. 35.95, Feb. 42.10, April 41.10, June* 44.85, July 45.40.

††Maize—May 273¾-274 (268¾), July 284-283 (276¾), Sept. 294-294½, Dec. 302-302½, March 314, May 321½.

Silver—May 1315.0 (1370.0), June 1326.0 (1380.0), July 1355.0, Oct. 1390.0, Dec. 1425.0, Feb. 1459.0, April 1492.0, June 1527.0, Aug. 1561.0, Oct. 1595.0, Dec. 1625.0, Feb. 1655.0, April 1685.0, June 1715.0, Aug. 1745.0, Oct. 1775.0.

†Soyabeans—May 612-612½ (595¾), July 632-630 (615¼), Aug. 639½, Sept. 648, Nov. 664-663, Jan. 678-679½, March 696, May 709.

||Soyabean Meal—May 171.5 (165.4), July 178.2-177.8 (172.7), Aug. 181.0, Sept. 183.30, Oct. 185.0-185.1, Dec. 189.5-189.8, Jan. 192.5, March 196.0, May 199.5-200.0, July 204.0-205.0.

Soyabean Oil—May 20.60 (19.97), July 21.07-21.05 (20.52), Aug. 21.32, Sept. 21.55, Oct. 21.75-21.80, Dec. 22.15-22.18, Jan. 22.25, March 22.60-22.65, May 22.95, July 23.25-23.30.

†Wheat — May 412 (392), July 423¾ (403¾), Sept. 438½, Dec. 456½, March 471, May 477.

WINNIPEG, May 5. §Barley—May 113.20-116.60 (112.80), July 117.00-119.50 (116.00), Oct. 116.30-119.10, Dec. 116.00-118.10, March 116.10-118.10.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. †† Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

INDICES

FINANCIAL TIMES

May 2	May 1	M'nth ago	Year ago
274.60	274.01	—	278.95

(Base: July 1, 1952=100)

DOW JONES

Dow Jones	May 2	May 1	Month ago	Year ago
Spot	423.88	422.54	410.05	392.64
Fut's	429.51	425.78	420.75	398.09

(Average 1924-25-26=100)

MOODY'S

May 2	May 1	M'nth ago	Year ago
1104.9	1115.7	1181.0	1083.0

(December 31, 1931=100)

REUTERS

May 2	May 1	M'nth ago	Year ago
1686.3	1680.8	—	1565.8

(Base: September 18, 1931=100)

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Last price	Change on week	Gross Div (p)	Yield %	P/E
3,758	Airsprung	65	—	6.7	10.3	3.8†
775	Armitage and Rhodes	31	+2	3.8	12.3	2.0†
8,401	Bardon Hill	270	—	13.8	5.0	8.1†
800	County Cars 10.7% Pf.	80	—	15.3	19.1	—
6,658	Deborah Ord.	95	—	5.0	5.3	10.4
4,159	Frank Horsell	112	—	7.9	7.0	7.0
14,881	Frederick Parker	101	—	12.8	12.7	4.6†
2,278	George Blair	107	—	16.5	15.4	—
1,725	Jackson Group	69	—	5.2	7.5	4.1†
15,458	James Burrough	112	—	7.2	6.4	8.2
2,807	Robert Jenkins	212	—	31.3	11.0	3.1†
3,415	Torday	222	—	14.3	6.4	5.8†
3,312	Twinlock Ord.	15½	−0¼	0.8	5.4	3.0†
2,047	Twinlock 12% ULS	75	—	12.0	16.0	—
6,268	Unilock Holdings	48	—	2.6	5.4	10.2
1,012	Unilock Holdings New	45	—	—	—	8.2
11,875	Walter Alexander	94	—	4.4	4.6	8.2
4,588	W. S. Yeates	157	+2	12.1	8.1	3.2†

† Accounts prepared under provisions of SSAP 15.

SPAIN

May 2	Price %	+ or −
Banco Bilbao	305	—
Banco Central	221	−1
Banco Exterior	206	—
Banco Hispano	203	−1
Banco Ind. Cat.	125	
Banco Madrid	143	
Banco Santander	233	−2
Banco Urquijo	140	
Banco Vizcaya	212	−1
Banco Zaragoza	200	
Dragados	83	+3
Espanola Zinc	62	+2
Fecsa	58.7	
Gal. Preciados	26	
Hidrola	64	−0.2
Iberduero	58.7	+0.7
Petroleos	102	
Petroliber	59	
Sogefisa	107	
Telefonica	53.5	−0.5
Union Elect.	63.6	+0.5

ELBAR INDUSTRIAL LIMITED

Results and extracts from the Hon. A. L. Hood's statement issued with the Company's Report and Accounts for the year ended 31st December, 1979

	1979 £	1978 £
TURNOVER	59,143,093	50,095,521
OPERATING PROFIT BEFORE INTEREST	2,555,054	2,757,407
PROFIT BEFORE TAXATION	1,539,000	2,200,443
PROFIT AFTER TAXATION	1,528,675	2,098,492
DIVIDENDS	326,573	326,573
EARNINGS PER SHARE	46.81p	64.26p
DIVIDENDS PER SHARE	10.00p	10.00p

When I reported a year ago I said that 1979 had had a difficult start. Unfortunately, difficulties continued throughout the year. As a result, and in spite of our best endeavours, the operating profit of the Group fell from £2.7 million to £2.5 million and the profit before tax from £2.2 million to £1.5 million.

The Ford strike at the end of 1978 and the Transport Drivers strike at the beginning of 1979 affected the early months of the year. Thereafter, industrial conditions were difficult throughout the United Kingdom. Circumstances which most affected our business were the steady increase in fuel prices and the progressive rise in interest rates. Both the Motor Car and Agricultural Divisions necessarily carry substantial stocks of new and secondhand equipment, as well as of spare parts. While great efforts have been made and are still being made to reduce stocks, there is a limit to this process if customers are to be satisfied. Customer satisfaction is the essence of success in these two divisions.

Tight money has affected our customers' willingness to buy, as well as their promptness to pay. As the year went on, increasing emphasis had to be placed on collecting debts, at the expense sometimes of efforts to sell. At the end of the year our stocks and our debtors were high, necessitating expensive borrowing. Every effort continues to hold down net working capital.

Industrial Engines has also had a difficult year, with serious decline in the demand within the United Kingdom. Exports, fortunately, have increased but, here again, extended credit is necessarily involved.

The Elbar Engineering Company had no North Sea oil related work in 1979. While the factories kept busy on other work the trading profits were significantly reduced. Fortunately, a new North Sea contract has now been received which will fully employ the Elgin factory from March 1980 for about a year.

The Group made no new acquisitions in 1979. During the year, however, agreement was reached with the Ford Motor Company for the Elbar Group to recondition Ford York and Dorset diesel engines at Grantham. To accommodate the necessary facilities, the Elbar Group purchased, since the year-end, an industrial complex of about 15 acres from British Leyland near Grantham. Preliminary work on this engine reconditioning project has already started and work will commence in the new premises in the last quarter of 1980. It is the Group's intention to move its Agricultural and other Industrial Engines activities in Grantham to the new premises in due course. The capital commitments this year include the expected capital costs of the engine reconditioning project. These costs will be funded by additional medium-term loan facilities which have been made available to the Group.

With effect from 1st January, 1980, the Group's operations have been reorganised into divisions, to be known as the Car Van and Truck, Agricultural, and Special Products Divisions.

Trading for the first three months of 1980 has been exceptionally difficult. Interest rates remain very high. Accordingly, profitability for the first six months will be disappointing. It is much too early to make any estimate of profitability for the second six months but your Board and Management are hopeful that there may be some recovery.

The Company's Annual General Meeting will be held in the Council Chamber of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2V 7HX, at 10.30 a.m. on Wednesday, 28th May, 1980.

EATON

Eaton Corporation
Cleveland, Ohio

Statement of Consolidated Income
Eaton Corporation and Subsidiaries

(In thousands of dollars years ended Dec. 31)

	1979	1978
Net Sales	$3,359,914	$2,790,521
Interest and other income – net	34,405	24,700
	3,394,319	2,815,221
Cost of products sold	2,487,543	2,067,075
Selling and administrative expenses	452,621	357,502
Research and Development expenses	67,356	47,049
Interest expense	86,925	67,202
Exchange loss – net	3,935	15,957
	3,098,380	2,554,785
Income before income taxes and Extraordinary Credit	295,939	260,436
Income taxes	141,873	140,746
Income before extraordinary credit	154,066	119,690
Extraordinary credit	–0–	11,584
Net Income	$154,066	$131,274
Net income, in dollars, per common share	5.89	5.02

Copies of Eaton's Annual Report and European supplement may be obtained from the Director of Communications, Eaton Ltd., Eaton House, Staines Road, Hounslow, Middlesex TW4 5DX. Tel: 01-572 7313.

INTERNATIONAL BONDS BY FRANCIS GHILES

All sectors surge ahead

THE WIDESPREAD conviction among investors that the long awaited U.S. recession is now well under way aod the sharp fall in Eurodollar rates witnessed last week—the three-month rate fell 2½ par ceot to close on Friday at 13¾ per ceot—combined to push straight dollar hond prices up hy more than two points last week.

While the dollar interest rate party was in full swiog the Bundesbank decided to push up German interest rates—in the case of the Lombard rate by a full point to 9½ per cent. This increase had little direct impact on the Deutsche Mark foreign bond market except that it seemed to convince investors who bave been buying Deutscbe Mark-denominated paper in earnest since Easter, that German rates had effectively peaked.

German bankers are confideot that the DM750m-DM800m-worth of new foreign bonds the Capital Markets sub-committee baa scheduled for May will be easily absorbed. In April, despite agreeing to an initial new issue caleoder of DM100m, they managed to arrange a total of DM1.56bn worth of honds, the highest figure this year.

The rally in dollar hond prices wbicb started in earnest after Easter thus contioues unabated. By the end of last week, yietds of less than 12 per cent were available on any number of seasoned issues in the intermediary range. This development in no way deterred investors from buyiog more paper.

In the last eight days $435m worth of new bonds have been arranged and a further $100m issue for ECSC, whicb Paribas was expected to launcb tast Friday with an indicated coupon of 12 per cent, was held beck because of the streogth of the rally in New York on Friday, which split over into the Eurobond market yesterday.

Despite most London houses being closed for the Bank Holiday, dollar bond prices posted gains of up to 1½ points.

It was thought tbat Parihas would give the green light for the ECSC issue last night, but with a lower coupon than the 12 per cent mooted on Friday.

Among the dollar boods lauocbed in the last eight days was a $75m hond for Federal Business Development Corporation, and a $25m 15-year convertible for Apachi Corporation, carrying a coupon of 8¾ per cent, through Paine Webber.

Last night a $200m 5-year bond for Ford, with a coupon of 12¾ was lauocbed througb Goldman Sachs while Salomon Brothers announced a $100m 11¼ per cent 10-year issue for EDF.

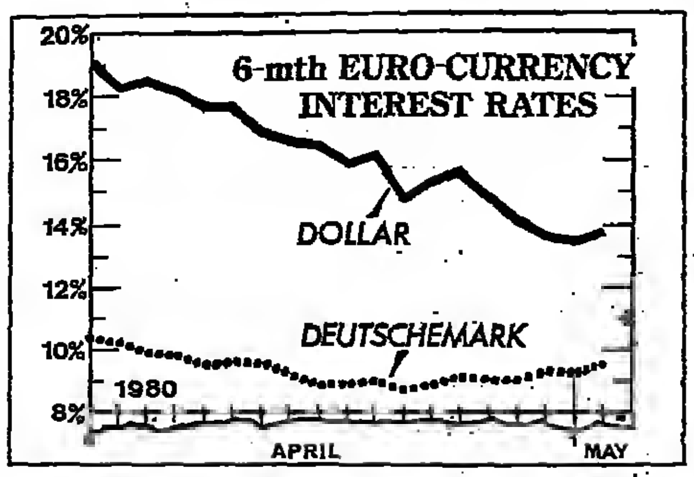
The State Bank of India meanwhile is arranging a $25m seveo-year FRN issue through CSFB.

Many hood bouses also reported a aecord level of trading. As Kidder Peabody's weekly Telex to investors points out, the players in the market are increasing daily, as bond prices continue to climb.

Many recently launched issues hava gone to a premium in the secondary market, a phenomenon which has not been witnessed since 1978. The Caisse Nationale des Autoroutes 12¾ per cent bood to 1985 gained four points last week to close at 102½ on Friday. Even issues which had not met with a kind reception at first showed gains.

The recent issue for Sweden, which was completed last week, now stands at a premium of around seven points over par. Such hefty rises suggested late last week that some investors might start taking profits. Such a move could be further encouraged by the narrowing gap between dollar and Deutsche Mark interest rates.

In the Deutsche Mark sector the only new issue was for Oesterreichische Kontrollbank, in the form of a DM 100m (later increased to DM 150m) private placement arranged by Bayerische Landesbank and Swiss Bank Corporation.



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Banco Nacional de Mexico	40	1987	7	6¼φ	100	CSFB	6.349φ
‡Canadian Exp. Dev. Corp.	100	1987	7	12¾	100	CSFB	12.7500
‡†Banco Pinto & Sotto Mayor	30	1985	5	6¾φ	100	CSFB	6.864φ
‡§Dynalectron (USA)	15	1995	10½	9½	100	Dillon Read	9.500φ
‡Bank of Montreal-Royal Trust	50	1985	5	13¼	100	Wood Gundy	13.250
‡SNCF (g'teed France)	50	1985	5	12⅜	100	Continental Illinois	12.375
†Bilbao Intl. NV (g'teed Banco de Bilbao)	50	1990	10	5¾φ	100	Citicorp, Banco de Bilbao	5.833φ
†Fujikura Cable Works	15	1987	7	5¾φ	100	Yamaichi Intl. (Europe)	5.833φ
Federal Business Dev. Corp.	75	1985	5	12¼	100	Wood Gundy	12.250
‡State Bank of India	30	1987		6½φ	100	CSFB	6.75φ
D-MARKS							
‡Lonrho Intl. Fin. NV	60	1987	7	9½	99½	BHF Bank	9.904
***Oesterreich. Kontrbk.	150	1987	7	9	100	Bayerische Vereinsbank	9.000
FRENCH FRANCS							
‡Mexico	150	1985	5	14	100	Societe Generale	14.000
SWISS FRANCS							
Caisse Nationale des Telecommunications	80	1990	—	6¼	100¼	SBC	6.181
**Kubota	60	1985	—	7	100	SBC	7.000
**Kubota	40	1986	—	7⅛	100	SBC	7.125
CANADIAN DOLLARS							
‡Canadian Imperial Bank of Commerce	50	1985	5	13½	99½	Hambros	13.644
GUILDERS							
‡**AmRo NY	60	1985	5	10¼	100	AmRo, KFTC	10.250
YEN							
‡Kingdom of Sweden	30bn.	1992	10.9	9.4	99½	Nomura	9.732

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

U.S. BONDS BY DAVID LASCELLES

Ready for cut in discount rate

THE POSSIBILITY that the Fed might soon ease its tight credit policy gave a boost to the credit markets on Friday, capping a week in which they had already shown considerable strength. However, the markets will have to contend with heavy supply in the next few days, overlaid by speculation of a possible cut in the discount rate. Although not unexpected, both these factors weighed more heavily than Wall Street had expected.

The Fed is now not only tolerating but apparently also encouraging a sharp drop in interest rates. On Friday, it intervened in the key Fed funds market to give Wall Street a strong signal that it wants interest rates to stay down. It pumped money in at 14½ per cent to keep the rate below that level. Previously, it only intervened to cushion the sharp fall that occurred once interest rates turned about a month ago.

This appeared to confirm the view that the Fed is now deeply concerned both at the speed with which the economy is moving into recession, and at the sharp drop in the money supply growth in both M1-A and M1-B is now well below target). Statistics from Washington last week showed a 2.6 per cent drop in the leading economic indicators and a 7 per cent unemployment rate.

However, in deciding how to handle the situation the Fed has the option of cutting interest rates or removing some or all of the credit curbs it imposed as part of its March anti-inflation package.

Wall Street economists take the view that a discount rate cut will come first, followed by an easing of credit restraint towards the end of this quarter. The Fed will probably tend towards caution however, until some sign of abatement appears in the rate of inflation.

Concern for the impact of declining rates on the dollar is evidently secondary, probably because domestic preoccupations are very strong, and partly because the dollar has shown a bit more strength in the last few days, despite interest rate increases in Europe. The Fed may, however, postpone any action until after this week's heavy issue calendar is past.

Responding to the recent drop in rates, the corporate sector is racing to complete new financing plans before rates either go up again or more uncertainties develop. The new issues calendar swelled by about $2bn last week, and up to $1bn could come this week.

A new Bell issue, Pacific Northwest Telephone's $150m of debentures due 2020, rated triple A, is expected for today, and this should set a useful benchmark in the fast-moving market.

Some time during the week there will be Boise Cascade's $100m of single A notes due 1990, and Dayton Hudson's $100m of double A debentures due 2005.

The Treasury is also due to make its May quarterly financing over the next three days. As announced last week, it will consist of $3.5bn of 3¼ year notes today, $2bn of 10¾ per cent notes maturing in November, 1989 on Wednesday, and a new 30-year bond of $2bn on Thursday. This is all very much in line with the market's expectations. All should produce lower yields than the last financing.

Wall Street will be watching for a couple of economic indicators this week. The consumer instalment figures for March will come out either today or tomorrow. Although these will cover only part of the period of the Fed's new curbs on consumer credit (which came into effect in mid-March), better figures would consolidate the market's confidence.

The producer price index for April comes out on Friday.

U.S. INTEREST RATES %

	Week ending May 2	April 25
3-month Treas. bills	10.28	11.95
3-mth. Comm. Paper	11.38	13.00
Fed Funds weekly average	14.35	16.27
30-yr. Treas. bond...	10.66	11.15
AAA Utility	11.625	12.00
AAA Industrial	11.255	11.63

Source: Salomon Bros.

CREDITS BY PETER MONTAGNON

Business starts to pick up

BUSINESS in the international capital markets picked up during April after a very slack first quarter. Morgan Guaranty Trust says, in its latest edition of World Financial Markets, that international bond issues and Eurocredits totalled $10.5bn during April compared with a monthly average of only $6.5bn during the preceding three months. Borrowings totalling several billion dollars more are in the early stages of negotiation.

The revival of borrower interest has, however, concentrated on the industrial countries, Morgan Guaranty says. Gross international borrowing by non-oil developing countries, in the first four months was only $5.3bn or half the total raised during the same period of 1979. Their borrowing requirement is presently expected to exceed $30bn this year which means their recourse to the international capital markets during the next eight months may have to be double the average monthly level during the first four months.

This would impact particularly on the Eurocredit market where these countries arrange the bulk of their borrowings, but Morgan Guaranty points out that it is still not certain how far they will reduce their funding requirement by drawing on reserves and unused credit commitments and by stepping up efforts to reduce their current account payments deficits.

Even so, it says it expects these countries will have to accept wider spreads in order to attract sufficient lenders.

International bankers add that one country where this is becoming abundantly clear is Brazil, where the current $350m credit for Banco Nacional do Desenvolvimento Economico is moving very slowly indeed. Bank of Montreal, which is managing the credit, has decided to take over the entire $75m 10-year tranche itself and by last Friday had not yet formed a large enough group of internatinnal banks to cover all the remainder.

In Italy tbe formal mandate is expected shortly for the $450m credit being aought by IMI and five other entities to finance the Italian portion of the Transmed pipeline. The credit will be in two tranches. One, totalling $420m, is a 10-year credit with a spread of ⅞ for the first five years rising to 1 per cent thereafter. The other $30m, which will not be syndicated but held by the 10 international banks managing the transaction, will be for 13 years at a spread of 1⅛.

Meanwhile, the telephone company Societa Italiana per L'Esercizio Telefonico is seeking $150m through Orion and Credito Italiano. This will be a 10-year deal but carries the somewhat unusual feature that only an eight-year portion will be syndicated at a spread of ⅞. For the last two years the credit will be taken over by the managers at a spread of ¾ per cent.

Korea is also seeking fresh funds through its commercial banks. Mandates for $50m each over eight years with spreads of ⅝ per cent over Lihor for the first three rising to ¾ per cent thereafter were awarded last week by Hanil Bank to Citibank and by the Commercial Bank of Korea to BankAmerica International. Lloyds Bank International last week. Another similar deal for Cho-Heung Bank managed by Manufacturers Hanover is thought likely to emerge shortly. Two other commercial banks will also come to the market in May, while a $600m credit for the Korean Development Bank is expected in July.

With Venezuela's plans for a jumbo credit of up to $1.5bn proceeding apace, attention has also focussed on a $147m deal by Corporacion Venezolana de Fomento led by Shearson Loeb Rhodes International. This may be one of the last short-term borrowings by public agencies in view of Venezuela's plans to consolidate short-term debt. The credit is for one year at a spread of ¾ over Libor. It has been oversubscribed and discussions are under way on a possible increase in the amount.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alex Howden XW 9½ 91	30	89	89½	+0⅞	+2⅛	11.99
Australian Res. 9¾ 84	30	93½	94	+0¾	+3	11.54
Avco O/S Cap. 10½ 87	40	80⅞	80¾	+0¼	+1⅛	14.90
Beneficial Fin. 9¾ 87 ...	100	89¼	89¾	+0½	+1⅛	11.99
CECA Grad Rate 12 86	100	92⅞	93⅞	+0⅝	+0⅞	13.50
CECA 11⅛ 90	50	95	96	+0⅛	+4	12.42
Canadian Pacific 9¾ 89	50	81⅞	91⅞	+1⅛	+3⅞	11.27
Carter Hawley 9¾ 88 ...	50	90	90½	+0⅞	+2⅛	12.06
Comalco Inv. E. 10⅞ 91	40	92¼	92¾	+1⅞	+4⅞	11.46
Continental Grp. 9½ 86	100	90⅞	90⅞	+0½	+2¾	11.83
Dome Petroleum 10 94	54	83⅞	84¾	+1⅛	+3⅞	12.46
Dominion Bridge 10⅞ 84	30	93	93½	+0½	+2⅛	12.42
EIB 11⅛ 92	80	93⅞	93¾	+0⅛	+2⅞	12.83
EIB 10.15 99	100	*182¾	84	−0⅞	+1⅞	12.88
EIB 13⅞ 90	100	104⅞	105¼	+1⅛	+3⅛	12.83
Eksportfin 11⅛ 87	50	97⅛	97⅝	+0⅝	+2⅛	11.61
Export Dv. Cpn. 9⅝ 84	100	93¾	94¼	+1⅛	+3⅞	11.24
Export Dv. Cpn. 9⅞ 84	150	94⅝	94⅞	+1⅛	+3¾	11.35
Finland 9⅝ 89	100	86	85½	+1	+0½	12.73
GTE Finance 9¾ 88 ...	55	88⅛	87	+0½	+1⅛	12.22
GMAC 9⅞ 89	75	90	90½	−0⅞	+2⅞	11.56
GMAC O/S Fin. 11 84	100	96⅞	97⅛	+0½	+2	11.80
GMAC O/S Fin. 13⅞ 85	100	103⅞	104⅛	+0⅞	+2⅞	12.24
Gould Int. Fin 9¾ 85 ...	50	91⅛	91⅞	+0⅛	+2⅛	12.16
ITT Antilles 9½ 89	75	87⅛	88⅛	+0⅛	+2½	11.75
Kennecott Int. 9½ 86 ...	100	86⅝	87⅛	−0⅞	+1⅞	12.71
Manitoba 9½ 89	75	88⅛	89	+1⅛	+3½	11.59
Michelin 10 94	125	86⅝	87⅛	+0⅞	+0⅞	11.94
Nat. Dev. Telecm. 9½ 86	100	90⅞	91⅛	+0⅞	+2	11.59
New Brunswick 9¾ 94	75	83⅞	84½	−0⅛	+2	12.17
Newfoundland 10 94 ...	50	89⅛	89⅛	+0⅞	+1⅞	11.56
Norges Komm. 8⅞ 99 ...	100	82⅛	82⅞	0	−0⅛	12.63
Norway 9½ 84	150	94	84½	+0⅞	+1⅛	11.37
Nova Scotia Pwr. 9¾ 89	50	88⅞	89⅞	+0⅞	+3⅛	11.76
Pennwalt O/S F 9¾ 84	25	93⅛	93⅞	+0⅛	+2⅞	11.88
Pepsico Cap. 9⅞ 84 ...	100	93⅞	93⅞	+0⅞	+1⅛	11.42
Quebec Hydro 10 99 ...	75	82½	83	+0⅛	+2⅛	12.39
Sears Roebuck 9 82 ...	150	95⅞	95⅞	+0½	+2⅛	11.90
Statoil 9⅞ 88	100	88⅞	89⅛	+0⅛	+3	11.63
Sweden 9⅛ 89	100	89⅛	89⅞	+0⅛	+1⅛	11.70
Sweden 9⅞ 86	200	90⅞	91⅞	+0½	+0⅞	12.04
Sweden 9⅞ 84	100	94½	95	+0½	+2	11.33
Unilever NV 9⅞ 87	100	89⅛	89⅛	+0½	+2⅛	11.50
Warner-Lambert 9 84 ...	100	91⅛	91⅞	+0⅛	+1⅞	11.71

Average price changes... On day +0⅞ on week +2

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅛ 90	250	88⅞	88⅞	+0½	+0⅞	8.14
Asian Dev. Bk. 7¾ 89 ...	100	98⅛	96⅞	0	−0½	8.35
BFCE 7¾ 87	100	95⅞	96⅞	+0⅛	+1⅛	8.47
BFCE 8⅛ 95	100	93⅞	94⅞	−0⅛	0	8.86
Brasil 8 87	150	92¼	93	+1⅛	+1½	8.44
CECA 7 91	150	89⅞	90	+0⅛	+0⅞	8.49
Council of Eur. 7⅞ 89 ...	100	93⅛	93⅞	+1	+2⅞	8.30
Denmark 7⅞ 86	100	94½	95⅛	0	−0⅛	9.07
EEC 7¼ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland Rep. of 8 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kobe, City of 7¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Gasunie [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Neder. Gasunie [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 7¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 7¾ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of 6¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asmar 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 3¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNDE 5 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BMW Overseas 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Caisse Nat. Tels. 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Eur. 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dev. 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jutland Tele. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel. & T. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shikoku El. Pwr. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.8 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 6¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8.8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¼ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.61
Cr. Foncier 10¾ 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.19
Ex. Dev. Cpn. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.51
Fst. Can. Inv. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.09
Hudson Bay 10½ 89 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.33
Quebec 10½ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.95
R. Bk. Canada [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.28
R. Bk. Canada 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.38
Copenhagen 8¼ 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.76
M. Bk. Denmk. 9 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.82
SOFTE 8¼ 89 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.35
U. Bk. Nrwy. 9½ 90 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.90
Algemene Bk. 8¼ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.98
Ned. Gasunie 8¾ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.53
Ned. Middbk. 8¾ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.76
Norway 8¾ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.44
Norway [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.34
Philips Lamps [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.69
Air France 11 84 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.67
CECA 14¾ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.09
Euratom [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.18
Finland [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.72
Finland [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.39
Gaz de France 11 84 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.75
I&M France [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.03
Renault [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.98
Saint-Gobain [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.68
Solvay et Cie [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.82
Citicorp O/S [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.25
EIB [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.58
Finance for Ind. 13 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.85
Fin. for Ind. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.30
Fin. for Ind. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.22
Gen. Elec. Co. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.77
Swed. Ex. Cr. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.57
Indonesia [illegible] KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.76
Mitsubishi [illegible] KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.50
Norges Kom. [illegible] KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.54
Occidental [illegible] KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.88
Akzo [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.03
Euratom [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.79
Euratom [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.22
[illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.18
Volvo [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.27

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banco di Roma Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Ireland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays O/S Inv. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bque. Indo Suez [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S F. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S F. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S F. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C. Itoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Co-operative Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jugobanka [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mfrs. Han. O/S [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Credit [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Credit [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk. Scot. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soc. C. d Sque. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Societe Gen. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Chart. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TVO Pwr. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Nwy. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Williams & Glyn [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. E. d'Alg. [illegible] SF	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.57

Average price changes... On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−11.60
Ajinomoto [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alco Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asahi Optical [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ciba-Geigy O/S F. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Daiei Inc. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ensearch Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LPC Internatnl. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Maidensha Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Seiko [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nitto Elec. Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toshiba Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Swtz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kansai Elec. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyu Ld. Co. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50.20

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
May 2 ...	88.95	11.07	79.21	11.53
Apr. 25 ...	89.52	11.22	78.75	11.65
High '80...	91.03	(2/1)	88.19	(2/1)
Low '80 ...	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week ...	—	2,770.2
Previous week ...	965.1	2,731.3
Other bonds		
Last week ...	—	276.7
Previous week ...	241.1	259.9

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Dellec Trading Company; Dillon, Read, Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 2

هكذا من الأصل

CURRENCIES, MONEY and GOLD

Discount houses face uncertainty

BY COLIN MILLHAM

Money markets witnessed an eventful week, with several London discount houses publishing their annual results. The difficulties in the second half of 1979 when Minimum Lending Rate jumped to 17 per cent from 14 per cent—following a rise of 2 per cent in the June Budget—are very much in evidence. Of the three houses announcing figures last week only Smith St. Aubyn can feel much satisfaction, with a profit of £1.1m, although the general feeling among some of their competitors was that Jessel, Toynbee had at least weathered the storm to show a loss of only £50,000.

The biggest disappointment was Gerrard and National, publishing a loss roughly equal to Smith St. Aubyn's profit.

All three houses showed confidence by raising their dividends, but following the poor disastrous figures from Clive Discount recently this has been a period the discount market will wish to put behind it. Another unsettling factor comes from doubts about the houses future role in the banking system in the light of official thinking about a possible monetary base system of exercising control.

This is likely to result in the abolition of reserve assets, and the discount market could also be termed the reserve asset market. On the other hand this would simply return the houses to the position before the introduction of competition

GOLD

	May 2		May 1	
Gold Bullion (fine ounce)				
Close	$510-515	(£225¼-228)	$498-500	(£218½-221)
Opening	$505-510	(£223-225¾)	$507-511	(£224¼-226¼)
Morning fixing	$510	(£225,186)	$507.75	(£224,271)
Afternoon fixing	$512.50	(£226,468)	$490	(£216,622)
Gold Coins				
Krugerrand	$536-540	(£237-240)	$509-514	(£225-228)
Maple leaf	$526-536	(£232-237)	$501-511	(£221-226)
New Sovereigns	$153-155	(£68-69)	$128-138	[illegible]
King Sovs	$157-160	(£69½-71¼)	$154-158	(£68-70)
Victoria Sovs	$157-160	(£69½-71¼)	$154-158	(£68-70)
French 20s	$138-140		$119-125	
50 pesos Mexico	$638-648		$617-624	
100 Cor. Austria	$557-515		$490-497	
$20 Eagles	$642-647		$620-630	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER CURRENCIES

May 2	£	$		£ Note Rates
Argentina Peso	4030-4050	1782-1788	Austria	29.05-29.35
Australia Dollar	2.0270-2.0290	0.8980-0.8985	Belgium	67.20-67.60
Brazil Cruzeiro	110.27-111.27	48.85-49.05	Denmark	12.70-12.77
Finland Markka	8.38-8.40	3.7215-3.7255	France	9.48-9.55
Greek Drachma	94.547-96.751	41.80-42.10	Germany	4.08-4.10½
Hong Kong Dollar	11.16½-11.18½	4.9400-4.9450	Italy	1880-1925
Iran Rial	n/a	n/a	Japan	543-548
Kuwait Dinar (KD)	0.610-0.620	0.2717-0.2718	Netherlands	4.50-4.56½
Luxembourg Frc.	65.93-66.03	29.24-29.26	Norway	11.14-11.22
Malaysia Dollar	5.0425-5.0595	2.2390-2.2410	Portugal	106½-111
New Zealand Dlr.	2.5435-2.5455	1.1250-1.1270	Spain	155½-164½
Saudi Arab. Riyal	7.48-7.58	3.3290-3.3350	Sweden	9.51-9.56
Singapore Dollar	4.9425-4.9525	2.1870-2.1890	Switzerland	3.78-3.81
Sth. African Rand	1.8020-1.8030	0.7990-0.7995	United States	2.2580-2.2670
U.A.E. Dirham	8.37-8.47	3.7155-3.7335	Yugoslavia	46½-50

Rate given for Argentina is free rate.

THE POUND SPOT AND FORWARD

May 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2525-2.2665	2.2650-2.2560	0.95-0.75c pm	4.26	1.58-1.48 pm	2.71
Canada	2.6670-2.7000	2.6900-2.6920	0.53-0.43c pm	2.14	1.07-0.97 pm	1.52
Nethlnd.	4.51-4.56½	4.55-4.56½	3¾-2¾c pm	7.24	7-6 pm	5.70
Belgium	65.80-66.20	65.93-66.03	14-4c pm	1.84	16-6 pm	0.67
Denmark	12.72-12.80	12.76-12.80	2¾-4ore dis	-2.81	5-6¾ dis	-1.82
Ireland	1.1020-1.1090	1.1070-1.1080	0.11-0.08p pm	1.03	0.45-0.40 pm	1.53
W. Ger.	4.08-4.12	4.11-4.12	3¾-2¾pf pm	9.48	8-7 pm	7.29
Portugal	111.00-112.00	111.25-111.75	25c pm-25 dis	-2.42	15-115 dis	-2.33
Spain	160.80-162.00	160.90-161.20	30-135c dis	-6.13	165-255dis	-5.22
Italy	1920-1928	1924-1926	9¾-3¾lire pm	2.81	3-1 pm	0.42
Norway	11.17-11.22	11.17½-11.18½	6-4ore pm	5.50	11-8¾ pm	3.52
France	9.53-9.59	9.57½-9.58½	5¾-4¾c pm	5.95	9¾-8¾ pm	3.60
Sweden	9.53-9.59	9.53½-9.54½	3¾-4¾ore pm	6.29	6¾-4¾ pm	3.58
Japan	540-545	541½-542½	3.10-2.90y pm	6.31	5.55-5.05 pm	3.81
Austria	29.00-29.33	29.28-29.33	24-19gro pm	8.80	52-42 pm	6.42
Switz.	3.78-3.83	3.81½-3.82½	4¾-3¾c pm	13.35	10¾-9¾ pm	10.60

Belgian rate is for convertible francs. Financial franc 67.30-67.40. Six-month forward dollar 2.28-2.20c pm. 12-month 3.53-3.33c pm.

THE DOLLAR SPOT AND FORWARD

May 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2525-2.2665	2.2550-2.2560	0.85-0.75c pm	4.26	1.58-1.48 pm	2.71
Ireland†	2.0370-2.0430	2.0370-2.0385	0.65-0.55c pm	3.53	2.40-2.25 pm	4.70
Canada	1.1800-1.1910	1.1907-1.1910	0.13-0.17c dis	-1.51	0.29-0.33dis	-1.02
Nethlnd.	2.0010-2.0125	2.0040-2.0055	0.53-0.46c pm	2.96	1.61-1.54 pm	3.14
Belgium	29.17-29.28	29.24-29.28	[illegible]	-2.77	11-15 dis	-1.78
Denmark	5.6600-5.6700	5.6600-5.6700	2.50-2.70ore dis	-5.29	6.40-6.80dis	-4.66
W. Ger.	1.8030-1.8275	1.8240-1.8250	0.77-0.67pf pm	4.73	2.05-1.95pm	4.38
Portugal	49.30-49.60	49.45-49.60	5-25c dis	-3.75	40-80 dis	-4.85
Spain	71.20-71.45	71.25-71.35	50-75c dis	-10.52	110-145 dis	-7.15
Italy	851.00-852.60	851.75-852.50	1-2lire dis	-2.11	4-5¾ dis	-2.23
Norway	4.9430-4.9665	4.9430-4.9470	0.50-0.30ore pm	1.70	1.80-1.40 pm	1.29
France	4.2210-4.2400	4.2350-4.2400	0.80-0.58c pm	1.78	1.15-0.95 pm	0.98
Sweden	4.2245-4.2340	4.2250-4.2300	0.90-0.70ore pm	2.27	1.15-0.85 pm	0.99
Japan	239.30-240.80	240.25-240.35	0.50-0.30y pm	2.00	0.95-0.75pm	1.41
Austria	12.91-12.93½	12.92½-12.93½	6.70-6.00gro pm	4.96	14.50-11.50pm	4.02
Switz.	1.6750-1.6930	1.6905-1.6925	1.42-1.32c pm	9.70	3.52-3.42pm	8.10

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 13.65-13.75 per cent; three-months 13.65-13.75 per cent; six months 12.95-13.05 per cent; one year 12.20-12.30 per cent.

May 2	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	17¼-17¾	18¼-18¾	9-15	10¼-11¼	5¼-5½	8¾-9⅞	15-15½	12-14	13¾-15¾	16¼-10¼
7 days' notice	17⅛-17⅜	13⅞-15⅞	9-15	10⅛-11⅛	5¼-5¾	8¾-9⅞	15-15½	14-15½	13⅞-13	11½-11½
Month	17⅝-17⅞	13½-13⅞	15¼-15½	11-11¼	5½-5⅞	9½-9⅞	12⅛-13¼	16⅛-18	15¼-13½	11⅞-12⅛
Three months	17⅛-17⅜	15⅛-15⅜	14⅝-15	11⅛-11⅛	5⅛-5⅝	9⅞-9⅜	15⅛-15⅜	16¼-17⅛	14-14⅛	12⅛-13⅛
Six months	16⅝-16⅞	13⅛-13⅞	14⅜-15	11⅛-11⅛	5⅛-5⅛	9⅛-9⅛	14⅛-15⅛	17⅛-17⅛	13⅛-13⅛	12⅛-12⅛
One year	15⅛-15⅜	12⅝-12⅞	12⅝-13¼	11-11⅛	5½-5⅞	8⅞-9⅛	15⅛-15⅝	16-17	12⅛-15	10⅜-11

The following nominal rates were quoted for London dollar certificates of deposit: one-month 13.60-13.70 per cent; three-months 13.60-13.70 per cent; six months 13.00-13.10 per cent; one year 12.30-12.40 per cent.

Long-term Eurodollar two years 12¼-12⅜ per cent; three years 12¼-12⅜ per cent; four years 12⅛-12⅜ per cent; five years 12-12¼ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

May 2 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Over night	—	15¼-18	—	—	—	17½	15½-17	—	—	—
2 days notice	—	—	17⅞-17⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17⅛-17⅜	17¼-17⅜	—	—	17½-17¾	17	—	—	—
One month	17⅞-17¾	17⅞-17¾	17⅛-17⅜	18⅛-17¾	18⅛	17⅞-17¾	17	15⅞	17⅛	17⅝
Two months	17⅞-17⅜	17⅛-17⅜	—	17⅛-17⅜	17⅛	—	16⅞-16⅛	16⅛	17⅛-17⅛	17⅛
Three months	17⅛-17⅛	17⅛-17⅛	17⅛-17⅛	17⅛-17⅛	17⅛	17⅛-17⅛	16⅛-16⅛	16⅛	16⅛-16⅛	16⅛
Six months	16⅛-16⅛	16⅛-16⅛	16⅛-16⅛	16⅛-16⅛	16⅛	16⅛	—	—	15⅛-15⅛	15⅛
Nine months	16⅛-15⅛	15⅛-15⅛	—	15⅛-15⅛	16⅛	—	—	—	—	—
One Year	15-14⅛	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛	15⅛	15⅛	—	—	—	—
Two years	—	—	16⅛-16⅛	—	—	—	—	—	—	—

CURRENCY RATES

May 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.570133	0.611556
U.S. $	13	1.29101	1.38375
Canadian $	15.57	1.54850	1.64459
Austria Sch.	6¾	15.8706	17.8642
Belgian F	14	37.6934	40.4055
Danish K	13	Unavail.	7.75586
D'Mark	7½	2.35724	2.50819
Guilder	10	2.55580	2.77234
French Fr.	12	5.45387	5.84980
Lira	15	1098.87	1178.95
Yen	6¼	311.779	333.169
Norwgn. Kr.	9	6.39954	6.84864
Spanish Pts.	8	91.9341	98.5199
Swedish Kr.	10	5.47065	5.84980
Swiss Fr.	3	2.16761	2.32748

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on May 2, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

Place and Local Unit		Value of £ Sterling
Afghanistan	Afghani	100.0
Albania	Lek	10.15
Algeria	Dinar	8.6710
Andorra	French Franc	9.58
	Spanish Peseta	151.05
Angola	Kwanza	62.686
Antigua (S)	E. Caribbean $	6.15
Argentina	Ar. Peso Free Rate	4,040
Australia (S)	Australian $	8.0280
Austria	Schilling	29.305
Azores	Portug. Escudo	111.60
Bahamas (S)	Ba. Dollar	2.2555
Bahrain (S)	Dinar	0.854
Balearic Isles	Spa. Peseta	151.05
Bangladesh (S)	Taka	34.52
Barbados (S)	Barbados $††	4.5110
Belgium	B. Franc	(cm) 65.98
		(fn) 87.55
Belize	B $	4.5115
Benin	C.F.A. Franc	479.0
Bermuda (S)	Bda $	2.2585
Bhutan	Indian Rupee	17.98
Bolivia	Bolivian Peso	56.55
Botswana (S)	Pula	1.7805
Brazil	Cruzeiro ‡‡	115.77
Brit. Virgin Isles (S)	U.S. $	2.2555
Brunei (S)	Brunei $	4.9475
Bulgaria	Lev	1.8590
Burma	Kyat	15.20
Burundi	Burundi Franc	197.865
Cameroon Repub'c	C.F.A. Franc	479.0
Canada	Canadian $	6.6910
Canary Islands	Spanish Peseta	161.55
Cape Verde Isle	Cape V. Escudo	82.60
Cayman Islands (S)	Cay. Is. $	1.8795
Cent. Af. Repub.	C.F.A. Franc	478.0
Chad	C.F.A. Franc	479.0
Chile	C. Peso	(Bk) 85.23
China	Renminbi Yuan	5.4090
Colombia	C. Peso	(F) 103.17
Comoro Islands	C.F.A. Franc	479.0
Congo (Brazaville)	C.F.A. Franc	470.0
Costa Rica	Colon	10.40
Cuba	Cuban Peso	1.5975
Cyprus (S)	Cyprus £	0.8025
Czechoslovakia	Koruna	(com) 13.20
		n/c 24.28
		(T) 20.48
Denmark	Danish Krona	16.89
Djibouti	Fr.	375.5
Dominica (S)	E. Caribbean $	6.10
Dominican Repub	Dominican Peso	6.2565
Ecuador	Sucre	(O) 56.74
		(F) 63.35
Egypt	Egyptian £	(U) 1.58
Equatorial Guinea	Peseta	181.05
Ethiopia	Ethiopian Birr	(P) 4.6250
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krona	12.88
Fiji Islands	Fiji $	1.8945
Finland	Markka	8.39
France	French Franc	8.58
French C'tyin Af*	C.F.A. Franc	479.0
French Guiana	Local Franc	8.58
French Pacific Is.	C.F.P. Franc	172.5
Gabon	C.F.A. Franc	479.0
Gambia (S)	Dalasi	4.5
Germany (East)	Ostmark	4.116
Germany (West)	Deutsche Mark	4.115
Ghana (S)	Cedi	6.25
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	95.654
Greenland	Danish Kroner	12.89
Grenada (S)	E. Caribbean $	6.10
Guadaloupe	Local Franc	9.58
Guam	U.S. $	2.2555
Guatemala	Quetzal	2.2555
Guinea Republic	Sily	43.10
Guinea Bissau	Peso	76.85
Guyana (S)	Guyanese $	5.7515
Haiti	Gourd	11.30
Honduras Repub.	Lempira	4.5475
Hong Kong (S)	H.K. $	11.1750
Hungary	Forint	(com) 73.4284
		(T)(nc) 48.3719
Iceland (S)	I. Krona	015.5
India (S)	Ind. Rupee	17.08
Indonesia	Rupiah	1,414.5
Iran	Rial	n/a
Iraq	Iraq Dinar	0.66885
Irish Republic (k)	Irish £	1.1075
Israel	Shekel	0.7015
Italy	Lira	1,925.5
Ivory Coast	C.F.A. Franc	479.0
Jamaica (S)	Jamaica Dollar	4.5025
Japan	Yen	542.0
Jordan (2)	Jordan Dinar	0.875(sg)
Kampuchea	Riel	2,706.5
Kenya (S)	Kenya Shilling	16.825
Kiribati	Australian $	2.5280
Korea (Nth)	Won	1.9875(‖)
Korea (Sth)	Won	1,342.37
Kuwait	Kuwait Dinar	0.615
Laos	Kip Pot Po	005.5
Lebanon	Lebanese £	7.7040
Lesotho	Loti	1.8025
Liberia	Liberian $	2.2555
Libya	Libyan Dinar	5.5680
Liechtenstein	Swiss Franc	3.82
Luxembourg	Lux Franc	55.88
Macao	Pataca	12.00
Madeira	Portug'se Escudo	111.50
Malagasy Republic	MG Franc	479.0
Malawi (S)	Kwacha	1.84
Malaysia (S)	Ringgit	5.0475
Maldive Islands (2)	Mal Rupee	8.8815
Mali Republic	Mali Franc	858.5
Malta (S)	Maltese £	5.787
Martinique	Local Franc	8.58
Mauritania	Ouguiya ‡	85.00
Mauritius (S)	M. Rupee	17.40
Mexico	Mexican Peso	51.63
Miquelon	C.F.A. Franc	479.0
Monaco	French Franc	9.58
Mongolia	Tugrik	(o) 5.185(‖)
Monserrat	E. Caribbean $	6.15
Morocco	Dirham	8.79(sg)
Mozambique	Moz. Escudo	65.51
Nauru	Australian Dollar	2.5280
Nepal	Nepalese Rupee	87.15
Netherlands	Guilder	4.5575
Netherland Antilles	Antillian Guilder	4.0375
New Hebrides	Franc.	153.5
	Aust. Dollar	2.0280
New Zealand (S)	N. Z. Dollar	2.5445
Nicaragua	Cordoba	28.52
Niger Republic	C. F. A. Franc	478.5
Nigeria (S)	Naira	1,257479 (sg)
Norway	Norway Krona	11.18
Oman Sul'ate of (S)	Rial Omani	0.782
Pakistan	Pakistan Rupee	26.25
Panama	Balboa	2.2556
Papua N. Guinea (S)	Kina	1.5580
Paraguay	Guarani	282.36
Peru	Sol	exc(A) 508.79
Philippines	Philippine Peso	16.40
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.5445
Poland	Zloty	(Cm) 69.36
		(T) 69.35
Portugal	Portugu'se Escudo	111.50
Port Timor	Timor Escudo	111.50
Puerto Rico	U.S. $	2.2555
Qatar (S)	Qatar Ryal	8.32
Reunion Ile de la	French Franc	0.58
Romania	Leu	(Cm) 9.35
		(n/c) T25.64
Rwanda	Rwanda Franc	199.33
St. Christopher (S)	E. Caribbean $	6.10
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.10
St. Pierre	Local Franc	9.58
St. Vincent (S)	E. Caribbean $	6.10
Salvador El	Colon	5.6680
Samoa American	U.S. $	2.2555
San Marino	Italian Lire	1,925.0
Sao To'e & Principe	Dobra	78.75
Saudi Arabia	Ryal	7.53
Senegal	C.F.A. Franc	479.0
Seychelles	S. Rupee	14.40
Sierra Leone (S)	Leone	5.4050
Singapore (S)	Singapore $	4.9475
Solomon Islands (S)	Solomon Is. $	1.9220
Somali Republic	Somali Shilling	(A) 15.60
South Africa (S)	Rand	1.8025
South West African Territories (S)	S. A. Rand	1.8025
Spain	Peseta	151.05
Spanish ports in North Africa	Peseta	161.05
Sri Lanka (S)	S. L. Rupee	35.85
Sudan Republic	Sudan £ (1)	1.15
Sudan Republic	Sudan £ (2)	1.80
Surinam	S. Guilder	4.0375
Swaziland (S)	Lilangeni	1.8025
Sweden	S. Krona	0.54
Switzerland	Swiss Franc	3.82
Syria	Syria £	(A) 8.8830
Taiwan	New Taiwan	(P) 81.25
Tanzania (S)	Tan. Shilling	18.30
Thailand	Baht	46.60
Togo Republic	C.F.A. Franc	470.5
Tonga Islands (S)	Pa'anga	2.0280
Trinidad (S)	Trinidad & Tob. $	5.4130
Tunisia	Tunisian Dinar	0.909 (SG)
Turkey	Turkish Lira	169.40
Turks & Caicos	U.S. $	2.2558
Tuvalu	Australian $	2.0280
Uganda (S)	Uganda Shilling	16.75
United States	U.S. Dollar	2.2555
Uruguay	Uruguay Peso	(cm) 19.76
		(fn) 19.72
Utd. Arab Emirates	U.A.E. Dirham	8.48
U.S.S.R.	Rouble	1.4892
Upper Volta	C.F.A. Franc	479.0
Vatican	Italian Lira	1,925.5
Venezuela	Bolivar	9.71
Vietnam	Dong	(O) 4.9520
		(T) 4.8665(‖)
Virgin Islands U.S.	U.S. Dollar	2.2555
Western Samoa (S)	Samoan Tala	2.1545
Yemen (Nth)	Ryal	10.24(SG)
Yemen (Sth)	S. Yemen Dinar	(A) 0.7725
Yugoslavia	New Y Dinar	47.2411
Zaire Republic	Zaire	5.685685
Zambia	Kwacha	1.78
Zimbabwe	Zimbabwe $	1.4650

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. †Rupees per pound. ‡General rates of oil and iron exports 94.75. **Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (‖)Based on gross rates against Russian rouble. (1)Official rate for exports and imports. (2)Parallel rate for alltransactions except specified exports and imports.

COMPANY NOTICES

NESTLÉ S.A.

Cham and Vevey (Switzerland)

THE 113TH ORDINARY GENERAL MEETING OF SHAREHOLDERS is to be held at 3.00 p.m. on Thursday, 22nd May 1980, at the "Palais de Beaulieu" LAUSANNE (SWITZERLAND).

AGENDA

1. Approval of the Accounts for 1979 and of the Annual Report.
2. Release from responsibility of the Board of Directors and of the Management.
3. Decision regarding the appropriation of the net profit.
4. Elections in accordance with the Articles of Association.

The owners of bearer shares may obtain their cards giving admission to the general meeting (with a proxy) at the Company's Transfer Office in Cham up to Monday 19th May 1980 at noon, at the latest. The cards will be delivered against the statement of a bank that the shares are deposited or upon deposit of the shares in the offices of the Company where they will remain blocked until the day after the general meeting.

The report Nestlé 1979 with the annual report of Nestlé S.A. (comprising the Balance Sheet and the Profit and Loss Account with comments, the Auditors' Report and the proposals for the appropriation of profits) is available to the holders of bearer shares as from 5th May 1980, at the Registered Offices at Cham and Vevey, and as from the 7th May at the Offices of the Paying Agents of the Company.

The holders of registered shares whose names are entered in the Share Register will, within the next few days, receive at their last address communicated to the Company, an envelope containing the Notice for the General Meeting, together with a form comprising an application for obtaining the card giving admission to such meeting as well as a proxy. On the other hand, the aforesaid report will be dispatched a few days later.

The shareholders are requested to address any correspondence concerning the General Meeting to the Transfer Office of the Company at Cham (Switzerland).

The Board of Directors

Cham and Vevey,
5th May 1980

COMMERZBANK AKTIENGESELLSCHAFT

PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 2nd May, 1980 a Dividend for the year ended 31st December, 1979 will be paid, as from 5th May, 1980 of DM 5.50 per share of DM 50 nominal held, against presentation of Coupon No. 40 or lodgement of new London Deposit Certificates for marking Square No. 3.

All dividend payments will be subject to a deduction of German Capital Yields Tax at 25%.

Coupons and London Deposit Certificates should be lodged with:—

S. G. WARBURG & CO. LTD.
Coupon Department,
St. Albans House,
Goldsmith Street,
London EC2P 2DL

from whom appropriate claim forms can be obtained.

Coupons will be paid at the rate of exchange on the day of presentation.

Payment in respect of London Deposit Certificates will be made at the rate of exchange ruling on the day of receipt of the dividend on the equivalent shares deposited in Germany.

United Kingdom Income Tax will be deducted at the rate of 15% unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agent will, upon request, provide shareholders or their agents with the appropriate form for such recovery.

ISSUE OF NEW COUPON SHEETS

Once the payment of a dividend in respect of the year ended 31st December, 1979 has been paid (against presentation of Coupon No. 40), the old shares of Commerzbank A.G., will retain the talon only.

New coupon sheets which contain Coupon No. 41 to No. 60 and talon will be issued free of charge as from 5th May, 1980.

In order to the United Kingdom shareholders to receive the new coupon sheets they are hereby requested to lodge the talons from the old shares with the Company's United Kingdom Paying Agent at the above mentioned address.

Temporary Receipts will be issued for these talons and shareholders will be advised in due course when the new coupon sheets are available for exchange.

COMMERZBANK AKTIENGESELLSCHAFT

6th May, 1980

FLEMING JAPAN FUND S.A.

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 8.392

Notice is hereby given that the

Annual General Meeting

of the company will be held at the offices of KREDIETBANK S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg on May 14th, 1980 at 3.00 p.m.

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the financial statements for the year ended 31st December, 1979.
3. Payment of a dividend.
4. Discharge of Directors and of the Statutory Auditors in respect of the carrying out of their duties for the year ended 31st December, 1979.
5. Ratification of the co-option of Mr. J. Hamilius as a Director.
6. Receipt of and action on nomination for election of Directors and the Statutory Auditors for a new statutory term.
7. Directors' remuneration.
8. Miscellaneous business as may properly come before the Meeting.

A member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the company.

In order to take part at the meeting of May 14th, 1980 the owners of bearer shares will have to deposit their share certificates five clear days before the meeting at the registered office of the Fund or at a bank.

Fleming Japan Fund S.A.
The Secretary

STANDARD CHARTERED INTERNATIONAL BOND FUND

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 16.581

Notice is hereby given that the

Annual General Meeting

of the company will be held at the offices of KREDIETBANK S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg on May 14th, 1980 at 11.00 a.m.

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the financial statements for the year ended 31st December, 1979.
3. Discharge of Directors and of the Statutory Auditors in respect of the carrying out of their duties for the year ended 31st December, 1979.
4. Receipt of and action on nomination for election of Directors and the Statutory Auditors for a new statutory term.
5. Miscellaneous business as may properly come before the Meeting.

A member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the Company.

In order to take part at the Meeting of May 14th, 1980 the owners of bearer shares will have to deposit their share certificates five clear days before the Meeting at the registered office of the Fund or at a bank.

Standard Chartered International Bond Fund

DIVIDEND NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS FOR COMMON STOCK OF TRIO KENWOOD CORPORATION

(Formerly Trio Electronics Inc.)

DESIGNATED COUPON NO. 40

(Action required on or prior to 30th June, 1980)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of May 1st, 1970, among Trio Kenwood Corp. (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE that at the general meeting of stockholders of the Company held in Tokyo, Japan, on 19th February, 1980, such stockholders approved the payment of a dividend of 4.5 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock of record on Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian, as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 246.193 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Malaya, Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the Republic of Korea, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to a 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organized thereunder meeting certain conditions relating to the carrying on of trade of business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15%, it is necessary that the surrender of Coupon No. 40 be accompanied by a properly completed and signed certificate (copies of the form of which are obtainable at the office of the Depositary in London or any Subdepositary) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 40. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Subdepositary listed below, upon the surrender of Coupon No. 40.

SUB-DEPOSITARIES

NAME	ADDRESS
Chemical Bank	Frankfurt/Main Germany
Banque Internationale à Luxembourg	Luxembourg City, Luxembourg
Pierson, Heldring & Pierson	Amsterdam, The Netherlands

The following table sets forth the amounts payable upon presentation of Coupon No. 40 from the various denominations of Receipts.

Coupon No. 40 detached from Receipts in the denomination of:	Dividend payable (less 15% Japanese Withholding tax)	Dividend payable (less 20% Japanese Withholding tax)
1 Depositary Share	0.15	0.15
10 Depositary Shares	1.55	1.4E
50 Depositary Shares	7.76	7.31
100 Depositary Shares	15.55	14.82

Payment in United States Dollars in respect of Coupon No. 40 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with, a bank in New York City.

Dated: 5th May, 1980.

CHEMICAL BANK, as Depositary,
180, Strand, London, WC2.

* 30th June, 1980 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 40 attached.

** Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deems appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after 30th June, 1980, the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupons No. 40.

As a result, person surrendering Coupon No. 40 after such date will be entitled to receive from the Depositary or any Sub-depositary a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realize such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

ALGEMENE BANK NEDERLAND N.V.

(Incorporated in The Netherlands with limited liability)

Final Dividend for the year 1979

At the Annual General Meeting held on 2nd May, 1980, a final dividend of Dfls 13.00 per share was declared payable, at the option of the shareholders in shares and cash or wholly in cash, as from 14th May, 1980.

Shareholders opting for the shares and cash alternative would be entitled to a share premium bonus of Dfls 2.50 in ordinary shares together with Dfls 7.50 in cash against presentation of coupons 45 and 46. They will receive one additional ordinary share of Dfls 100.— for every 40 coupons No. 46 from the ordinary shares or 4 coupons No. 46 from certificates of 10 ordinary shares presented at the following offices:

Baring Brothers & Co. Ltd.,
88, Leadenhall Street,
London EC3A 3DT.
Algemene Bank Nederland N.V.,
61, Threadneedle Street,
London EC2P 2HH.
Algemene Bank Nederland N.V.,
61, King Street,
Manchester M2 4PD.
Algemene Bank Nederland N.V.,
35, Waterloo Street,
Birmingham B2 5TL.

New share certificates may be distributed in the form of CF-certificates or as -certificates with coupons 47 and following and talon attached.

Stock options not exercised by 15th August, 1980, will be sold and the proceeds held for distribution to holders of coupons No. 45 not presented for payment by that date.

Shareholders opting for cash will be entitled to cash payments of Dfls 7.50 and Dfls 5.50 per share against coupons 45 and 46, respectively.

U.K. residents who are liable to U.K. taxes on dividends paid to them and who do not carry on a trade or business in The Netherlands through a permanent establishment situated therein, may have Netherlands dividend tax reduced from 25 pct. to 15 pct. if the coupons are accompanied by a completed form 92VK, which may be obtained at either of the above mentioned offices.

Amsterdam, 6th May, 1980. THE MANAGING BOARD.

KLEINWORT BENSON (JAPAN) FUND

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 8.528

Dividend notice

Notice is hereby given that, pursuant to a resolution of the Annual General Meeting of Shareholders held on April 9, 1980, a dividend of US$ 0,25 has been declared payable as of May 6, 1980 to holders of shares outstanding on that date, against surrender of coupon nr. 9.

Paying Agents: Kredietbank S.A. Luxembourgeoise,
43, Boulevard Royal,
Luxembourg.
Kleinwort Benson Limited,
20, Fenchurch Street,
London EC3P 3DB.

By order of the Board
The General Manager

1. REED INTERNATIONAL LIMITED
Dfls. 100.000.000,—11½% Bonds 1974 due 1980 1980

2. REED INTERNATIONAL LIMITED
Dfls. 35,786.000,—11½% Bonds 1976 due 1980/1989

The drawings for the first redemptions in the above-mentioned Bond loans have taken place on April 17th 1980.

Number 3 has been drawn in respect of the loan shown under 1 above, so that all bonds of which the number of the redemption group is 3, will be redeemable on June 15th 1980.

Number 13 has been drawn in respect of the loan shown under 2 above, so that all bonds of which the number of the redemption group is 13, will be redeemable on June 15th 1980.

The bonds so drawn will be payable at the offices of the paying agents mentioned hereafter:

Amsterdam-Rotterdam Bank N.V., Algemene Bank Nederland N.V., and Banque de Paris et des Pays Bas N.V. at Amsterdam Rotterdam, The Hague and Maastricht insofar as they are established there.

As far as K-certificates are concerned these must be presented with all unmatured coupons.

The outstanding amounts of the loan, after the above-mentioned redemptions are respectively ± f 90.000.000,- and ± f 32.207.000,-.

NEDERLANDSCHE TRUST-MAATSCHAPPIJ B.V.

Amsterdam,
May 6th, 1980.

THE PHILIPPINE INVESTMENT COMPANY, S.A.

société anonyme
Registered Office:
Luxembourg, 14, rue Aldringen
Registre de Commerce
Section B No. B.198

DIVIDEND ANNOUNCEMENT

The Philippine Investment Company, S.A. will pay a 35 cents U.S. dividend per share on or after May 14th, 1980, to holders on record on April 25th, 1980. Shares will be traded ex-dividend after April 25th, 1980.

The dividend is payable to holders of bearer shares against presentation of coupon number 4 at:
Banque Générale du Luxembourg, S.A.
27, avenue Monterey, Luxembourg.

Registered shareholders will receive their dividend by cheque from the company.

The Board of Directors

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby gives notice that Tenders will be received at the Chief Registrar's Office, Bank Buildings, Bank of England, London EC2R 8EU, on Monday, 12th May, 1980, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £35,000,000.
2. The Bills will be in amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 15th May, 1980, and will be due 91 days after date, without days of grace.
3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent. (being a multiple of one new halfpenny) which will be given for the amount applied for.
4. Tenders must be made through a London Banker, Discount House or Broker.
5. The Bills will be issued and paid at the Bank of England.
6. Notifications will be sent by post, on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by draft or cheque drawn on the Bank of England not later than 1.30 p.m. on Thursday, 15th May, 1980.
7. Tenders must be made on the printed forms which may be obtained either from the Bank of England, or from the Council's Offices at The County Hall.
8. The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST,
Comptroller of Financial Services.

The County Hall,
London SE1 7PB.
1st May, 1980.

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION LIMITED

7¼% Debenture Stock 1990-92

Notice is hereby given that the REGISTERS of the CORPORATION'S above mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from 19th to 30th May 1980, both days inclusive.

By Order of the Board.
N.J. McTurk,
Secretary.

48 Palmerston Place,
Edinburgh, EH12 5BR.
May 2, 1980.

NOTICE

ANNUAL REPORT OF SAAB-SCANIA AKTIEBOLAG, SWEDEN

NOTICE IS HEREBY GIVEN that copies of the Annual Report of SAAB-SCANIA Aktiebolag as at December 31, 1979, are now available at:—
CITIBANK, N.A.
336 Strand
London WC2R 1HB

SAAB-SCANIA AKTIEBOLAG

GRATTAN WAREHOUSES LIMITED

NOTICE IS HEREBY GIVEN that the Register of Ordinary Stockholders will be closed from 13th to 16th May 1980, both dates inclusive, for the purpose of preparing Dividend Warrants payable on 15th July 1980.

By Order of the Board.
A. MALCOLM,
Secretary.

Anchor House,
Ingleby Road,
Bradford BD99 2XG.

GOVERNMENT OF NEW ZEALAND

7.25% 1972-1987 LOAN OF FF 75.000.000

The redemption on 1st June 1980 for which a sum of FF 4.000.000 is planned has been completely repurchased on the Stock Exchange.

Amount remaining in circulation after 1st June 1980: FF 55.000.000.

Paying Agent
BANQUE DE PARIS ET DES PAYS-BAS POUR LE GRAND DUCHE DE LUXEMBOURG

PERSONAL

NATIONAL CANCER CHARITY

Internationally acclaimed, seeks philanthropist to provide office accommodation central London either as a gift or at peppercorn rent. Approximately 8,000 square feet to house all departments. Reply in strict confidence to:

Box G.5756, Financial Times,
10, Cannon Street, EC4P 4BY

In Parliament this week

TODAY

COMMONS.—Guillotine motion on Social Security (No. 2) Bill. Port of London (Financial Assistance) Bill, remaining stages. Local Loans (Increase of Limit) Order.

LORDS.—Social Security Bill, report. Industrial Training Levy (Engineering) Order. Census Order 1980.

TOMORROW

COMMONS.—Debate on Government's Expenditure Plans 1980/81 to 1983/84. Southern Rhodesia (Sanctions) (Amnesty) Order. Zimbabwe Independence and Membership of the Commonwealth) (Consequential Provisions) Order.

LORDS.—Debate on need to improve effectiveness of central and local government, to reduce overmanning in public service and have a truly representative Parliament. Trees (Replanting and Replacement) Bill, committee. Short debate on Phillimore Committee.

SELECT COMMITTEES.—Education. Subject: Funding of higher education. Witnesses: Standing Conference of Principals and Directors of colleges and institutes in higher education. 10.30 a.m. Room 6. Scottish. Subject: Inward investment to Scotland. Witnesses: Scottish Economic Planning Dept., Scottish Development Agency, Department of Industry. 10.30 a.m. Room 5. Energy. Subject: The Government's new nuclear power programme. Witnesses: Babcock Power, 10.45 a.m. Room 8. Industry and Trade. Subject: Import and Export Trade. Witnesses: British Paper and Board Industry Federation, Metal Trades Organisation. 10.45 a.m. Room 16. Public Accounts. Subject: method of assessment of university grants. Witnesses: Sir James Hamilton, permanent secretary of Department of Education, C. F. Cockerill, secretary of the University Grant Committee, M. V. Posner, chairman of Social Science Research Council. 5 p.m. Room 16. Welsh. Subject: Employment opportunities in Wales. Witnesses: Development Board for Rural Wales. 6.15 p.m. Room 15.

THURSDAY

COMMONS.—Finance (No. 2) Bill, second reading. Instruction to Standing Committee on the Local Government, Planning and Land (No. 2) Bill.

LORDS.—Debate on Defence White Paper.

FRIDAY

COMMONS.—Private members' motions.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 6—14	International Philatelic Exhibition (01-385 1200)	Earls Court
May 9—10	Amateur Radio Exhibition (01-837 8688)	Alexandra Palace
May 11—13	British Craft Trade Fair (0283 867153)	Harrogate
May 11—14	Confectionery, Tobacco and Newsagents' Exhibition (0428 52785)	New Horticultural Hall, Westminster
May 11—14	Wholesale Buyers' (Spring) Gifts Fair (01-855 9201)	Olympia
May 19—23	International Heating Ventilating and Air Conditioning Exhibition (021 705 6707)	NEC, Birmingham
May 18—22	Self-Service Display Equipment and Shopfitting Exhibition—SHOPEXINT (01-540 1101)	Olympia
May 20—23	Chelsea Flower Show (01-834 4333)	Chelsea
June 2—7	International Materials Handling (021-705 6707)	NEC, Birmingham
June 5-14	Fine Art and Antiques Fair (01-385 1200)	Olympia
June 8-11	Sunday Times Business to Business Exhibition (01-407 4046)	Earls Court
June 10-12	June Carp Fair (01-236 0911)	Kensington, W8
June 10-13	Institute of Housing Annual Conference and Exhibition (01-242 3267)	Exhibition Centre, Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Salon International du Textile et du Cuir (01-584 8827) (until May 9)	Casablanca
May 6—8	Compec Europe Exhibition (01-261 8000)	Brussels
May 7—11	Scandinavian Furniture Show (01-540 1101)	Copenhagen
May 10—18	International Trade Fair for Optometry—OPTICA (01-409 0956)	Cologne
May 14—17	International Tyre Dealers, Vulcanizers and Retreaders Trade Fair	Essen
May 17—21	Industrial Equipment Exhibition.	Brussels
May 19—31	Mint Directors Conference and Exhibition (01-486 1951)	Utrecht
May 20—23	International Petroleum Exhibition—PETROTECH	Amsterdam
May 26—30	International Rubber and Plastics Exhibition (021-705 6707)	Singapore
May 27—30	Petroleum and Marine Environment International Conference and Exhibition	Monte Carlo
June 3—6	Reprographics Exhibition—REPROGRAPHICS 80	Basle
June 5—8	International Carpet and Floor Coverings Exhibition (01-439 3964)	Paris
June 9—14	BIAM—International Machine Tool Exhibition	Zagreb
June 9—13	International Advertising Market—IAM (01 499 2317)	Paris
June 10—14	Educational Equipment Exhibition—VISODATA (01-486 1951)	Munich
June 17—19	Advanced Communications Exhibition—EUROCOMM 80 (01-540 1101)	Copenhagen
June 19—22	Solar Energy Exhibition	Genoa
June 23-26	World Frozen Food Exhibition (01-629 8817)	Monte Carlo
June 23-July 6	Motor Show, Components and Accessories Exhibition	Braga
July 2-6	Audio Visual Exhibition AUVI (021-705 6707)	Singapore
July 7-11	International Training and Educational Symposium and Exhibition—INSTRUCTA (01-486 1951)	Johannesburg

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	FT: City course (01-621 1355) (until June 26)	Basinghall Street, EC2
Current	FT Conference: World Electronics—Strategies for Success (01-621 1355) (until May 7)	Monte Carlo
May 6—8	Compower: The Computer in Personnel Work (Cannock 2511)	Codsall, Nr. Wolverhampton
May 6—8	IPM: London Personnel Management Conference (01-387 2844)	Royal Lancaster Hotel, W2
May 7	IPS Transportation and the Supply Function (Ascot 23711)	Royal Lancaster Hotel, W2
May 7	Wyatt Harris Graham: International Employee Benefits and Compensation in the 1980s (01-222 8033)	Bowater Conference Centre, SW1
May 8	Accountancy Study Centre: Inflation Accounting—The New Standard (01-222 2179)	The Rainbow Suite, W8
May 8—9	AMD Legal: Essential Management Law—Refresher (07535 56047)	Royal Horseguards Hotel, SW1
May 8—9	Seminars International: International Conference on Managing Foreign Exchange Risk (01-434 3355)	Copenhagen
May 11—16	University of Bradford Management: Innovation and Market Success (Bradford 491773)	Heaton Mount, Bradford
May 12—16	Kepner Tregoe: Decision Making For Senior Management (0628 38083)	King's Head Hotel, Loughborough
May 12—13	CEI: International Marketing Seminar	Geneva
May 14—15	Crown Eagle Communications: Investing in U.S. Real Estate (01-636 0617)	Carlton Tower, SW1
May 15	CCC: Charges, Receiverships and Liquidation (01-222 6362)	Hotel Inter-Continental, W1
May 16	Oyez—IBC: East-West Trade 1980 (01-242 2481)	Quaglino's Hotel, SW1
May 18—23	University of Bradford Management: Export Marketing (Bradford 42299)	Heaton Mount, Bradford
May 19—20	Robert S. First: Hospital Supplies in Europe	Brussels
May 19	International Advertising Association: 27th World Congress (01-821 0509)	Durban
May 20—21	Oyez: IBC Control in Computerised Accounting Systems (01-242 2481)	Inn on the Park, W1
May 20-23	RAI Gebouw B.V.: Second European Petroleum and Gas Conference	Amsterdam
May 20	SMMT: EEC—Friend or Foe? (01-235 7000)	Cafe Royal, W1
May 21—23	Robert Daum and Associates: Understanding and Underwriting the U.S. Market	Doral Country Club, Florida
May 23	Wales International Management Centre: Effective Strategic Planning (0222 21666)	Basingstoke Hampshire
May 27-30	Scotwork: Managing Negotiations (041 204 2186)	
May 27-28	Reinforplast: 1980 Symposium	Brussels
May 28	Calus: The Taxation Implications of Development (0734 861101)	Mount Royal Hotel, W1
May 29-30	ICHCA: Developing Efficient Cargo Handling Systems for International and Intra-Regional Trade (01-828 3611)	Athens
June 1-6	University of Bradford: Production Scheduling Workshop (Bradford 491773)	Heaton Mount, Bradford
June 2-3	FT Conference: World Banking (01-621 1355) (01-621 1355)	Singapore
June 2-3	AMR International: U.S. Financial Reporting and Disclosure Requirements for Multinational Corporations (01-262 2732)	Grosvenor House Hotel, W1

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's timetable.

[illegible]

FINANCIAL TIMES SURVEY

Tuesday May 6 1980

TOGO

Togo is hoping that its beleaguered economy will show the first signs of improvement this year, although recovery will depend on world prices for its main exports, phosphates, coffee and cocoa. The country is ruled by a one-party system, with power firmly in the hands of the President, who sees national unity and stability as his priorities. MARK WEBSTER reports.

General Gnassingbe Eyadema, Togo's President

Country's size belies its influence

THE FACE of Togo's bead of state, General Gnassingbe Eyadema, looks down from a giant hoarding in the centre of the capital, Lome. The caption underneath reads: "Agriculture; the biggest worry of our Guide." The President is variously referred to in the State controlled media as the "Father," "Guide" and "Helmsman" of the nation and his image appears everywhere on huge posters and tiny lapel badges worn by Government officials.

Never since he came to power 13 years ago has the cult of personality surrounding the President been so strong, officials agree. Nor, according to both his friends and his critics, has anyone had such a strong grip on the tiny West African country since it gained its independence 20 years ago last month.

Togo's size certainly makes it more manageable. One of the smallest countries in Africa, it has a population of under 3m and a Gross Domestic Product of less than $1bn. The way it is squeezed into the African coastline makes Togo and neighbouring Benin look like two slim books crushed between the anglophone giants of Ghana and Nigeria.

But Togo has an influence far greater than its size would suggest. President Eyadema is extremely active on the African stage, stressing the virtues of unity and stability which he has established in his own country. During his 13 years in power he has contained ethnic rivalries, spread the national cake more equally between the more developed south and his home area in the north and he has kept Togo mercifully free of the corruption which has done so much damage to other African countries.

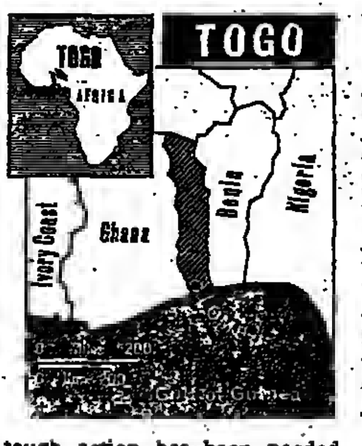
To do this, the President has concentrated most of the decision making process on his own office, banned all political parties other than the sole recognised organisation the Rassemblement du Peuple Togolais (RPT), carefully monitored the activities of suspected dissidents and regularly shuffled ministers and regional administrators to give them less chance to become corrupt or to form their own local fiefdoms.

At the same time, the liveral economic policies which he has followed and the advantages of being a member of the French franc zone have ensured the development of a thriving private sector. The combination of political stability, friendly people and well-stocked supermarkets have made Lome a paradise for visitors from neighbouring countries who come to stock up on food and drink.

Flown from France

Just about everything is available in the shops from a dozen different kinds of champagne to cheese and meat specially flown in from France. The low level of taxation on alcohol means that a bottle of whisky or gin imported from the UK costs about £2. It also guarantees that a lot of it is smuggled across the borders to countries like Ghana.

It certainly isn't obvious from the abundance of goods in the supermarkets and local stalls that Togo is going through prolonged economic difficulties. But



tough action has been needed by the government during the past 12 months to restore sound management to the economy and close the growing gaps in the budget and the balance of payments.

With the help of the International Monetary Fund, a stabilisation plan is now underway and the Togolese hope that 1980 will see the first fruits of the controls it is imposing. The Ministry of Finance estimates that the overall balance of payments should swing into surplus during the present year and that the budgetary deficit will be pegged at CFA1.5bn (£3.3m).

At the root of Togo's current problems was the rush to industrialise which it began in 1973/74 when world prices for its principle export, phosphates, were high. To finance the massive public sector investment programme the country ran up total foreign debts of around $1bn—not big by international standards but four times Togo's annual export receipts.

BASIC STATISTICS

Area	21,926 sq miles
Population	2.4m
Trade (1978) Exports	53bn CFA francs
Imports	85.9bn CFA francs
UK trade (1979) Imported from UK	£18.8m
Exported to UK	£4m
Currency	£=480 CFA francs

Debt servicing was becoming such a chronic problem that its international creditors were called in to reschedule arrears and some fresh debt. But although the rescheduling was successfully completed, economists feel Togo may need a further debt rescheduling, a substantial foreign aid programme, assistance from international institutions such as the IMF, or a mixture of the three.

They also believe that Togo will have to keep its belt tight at least until the debt servicing bump is passed in 1984. The recovery will depend considerably on world market prices for its principle exports — phosphates, coffee and cocoa — and the performance of the public sector industries such as the oil refinery, the new cement plant and the steel mill.

Nonetheless, they have been encouraged by the steps which the country has already taken and hope that Togo may emerge from its present crisis stronger and better managed than when it started. There is less hope, however, that there will be any significant relaxation on the political front in the foreseeable future.

The President has made it clear that he sees unity and stability as the overriding priorities for nation building and points to the chaos of the early days in Togo's independence as evidence of the destructive potential of the mutli-party system. He led the first coup in post independence Africa when in 1963 the first civilian president of Togo, Sylvanus Olympio was killed.

He later handed power back to a civilian Government led by Nicholas Grunitzky but as the situation in the country again began to deteriorate Grunitzky was forced to resign. On January 13, 1967 the then Colonel Eyadema again took control of the country and has stayed there ever since.

Reforms

Despite the President's determination to maintain stability in the country, two things have considerably improved the political atmosphere in Togo lately and have at least pushed the Government to make some constitutional reforms. The first is the return to democratic rule in the nearby African countries of Ghana, Nigeria and Upper Volta which has increased pressure on Togo's leader for change.

The second is the peaceful conclusion of the so-called "mercenary affair" which sprang from an unsuccessful attempt at a coup in 1977. The coup was alleged to have the backing of the two sons of the first president Sylvanus Olympio and it created a lot of uncertainty and suspicion in Lome after it failed.

Fifteen people were tried for their part in the affair last year, eight of them in absentia and all but two were found guilty. Two of those in custody in Lome were sentenced to death but in a gesture rather characteristic of the President they were reprieved at the last moment.

The completion of the trial has noticeably improved the political climate in the country and made it possible to hold a special National Congress of the party to discuss constitutional reforms. The Congress is supposed to be held every five years but was brought forward to consider what constitutional changes were necessary.

What emerged from that Congress was a constitution guaranteeing basic rights and a Parliament of 67 deputies who will sit for two months twice a year. The deputies were then elected on a regional list system at the same time as the President stood for re-election as the sole candidate for the Rassemblement du Peuple Togolais and was duly returned with a little under 100 per cent of the votes.

Although the Parliament will vote laws it is unlikely that it will provide any vocal opposition to the decisions already taken. Deputies are part-timers who received only a daily allowance for their parliamentary attendance and an essential qualification was fidelity to the party.

The real power in the country will, therefore, continue to be exercised by the President through the party network. The party was founded by the President in 1969 and its influence is felt in every aspect of life. In the regions, the local administrators nominated by the President to the 22 electoral areas are also secretaries general of the party. In work and leisure, the four main party affiliated bodies cover trade unions, youth, women and traditional chiefs.

The real policymaking bodies at central government level are the Political Bureau and the Central Committee of the party. The nine-man Politburo includes the President and key figures from the army and the police as well as some Ministers. The 33-man committee includes all the Ministers plus party representatives. Diplomats feel that it is highly unlikely that the hold of the party over the country will be changed in favour of more representative government.

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Tough economic measures may soon pay off

TOGO'S GOVERNMENT is taking tough measures to restore sound management to its beleageured economy. Although the country still faces difficult years ahead, and administration hopes that 1980 will see the first real fruits of the stringent controls it is gradually imposing.

Under the tutelage of the International Monetary Fund, the Government of President Eyadema bas agreed to reduce budgetary and balance of payments deficits, restrict the growth of credit and money supply, put an end to increasingly large extra-budgetary expenditure and keep up repayments on foreign and domestic debt.

At the heart of Togo's economic troubles is the $1bn worth of foreign debt which it contracted in the mid-1970s to give the country an industrial base. The crushing burden of debt servicing which equalled nearly 30 per cent of export receipts in 1979 forced the country to seek a rescheduling while it put its economic house in order.

Togo's international creditors agreed last year to reschedule CFA 8bn (£17.4m) in fresh debt falling due between April, 1979, and the end of 1980. At the same time, the Government reached an accord covering the repayment over three years of arrears of interest and principle totalling around $100m.

The administration is optimistic that this year it can reverse the trends of past years when growth was erratic, the budget and balance of payments deficits soared and economic management was lax. It is gearing up to face the full burden of debt servicing once the agreement with the Paris Club runs out and until the bulk is paid off in 1984.

Some Western economists feel, however, that Togo may be over-optimistic in its forecasts and will either require a second re-scheduling of its debt, substantial balance of payments support from such organisations as the IMF, a major aid programme by foreign governments or a mixture of the three. Nonetheless, they have been encouraged by the positive steps the country has already taken.

A key element in the stabilisation plan agreed with the IMF will be the publication soon of a "collective budget which will detail CFA 55bn (£120m) worth of expenditure which has bypassed normal budgetary procedures during the past five years. The "collective" is seen as a crucial indicator of the country's determination to overcome its problems.

In past years, the volume of Government spending which had not been included in the annual budget was growing, making it impossible to do any serious economic planning. Now that the "collective" has been completed it requires only the approval of the Minister of Finance and the President.

Optimistic

The conclusion of the new budget has encouraged the Government to paint a more optimistic picture about the future. A second Letter of Intent signed with the IMF in February this year expressed Togo's conviction that the stage was set for a noticeable upturn in the economy, according to officials.

The Letter of Intent explained that Togo had not been able to keep within the guidelines set up by the IMF for 1979 because of a disappointing performance by the oil refinery and the phosphate mines. But the Government said its optimism for 1980 was based on the following projections for the year:

Output from the phosphate mines should increase from 2.8m tonnes in 78 and 79 to 3.5m tonnes in 1980 (although the new level of production will not now be achieved until the middle of the year): a further improvement in the world market price for phosphates which has already gone up 45 per cent over the past 12 months: increased agricultural production of cocoa and coffee as the benefits of a replanting and rehabilitation programme are felt: income frome some of the ambitious public sector industrial projects such as the oil refinery: and a big drop in the import bill as the industrial projects are completed.

If things turn out as the Government has planned, the increased activity should translate itself into a growth rate in real terms of around 8 per cent in 1980 compared with only 2 per cent last year. The Government also hopes the overall balance of payments will swing from a 1979 deficit of CFA2.5bn (£5m) to a healthy surplus of CFA 15bn (£32m). Officials say, however, that the slower than expected progress on the phosphate mines will affect the figures.

The budget deficit for the year has been pegged at CFA 1.5bn (£3.3m) for 1980 compared with a CFA7bn (£15m) deficit for last year. The 1980 deficit will be covered one third through borrowing from the IMF and the rest from the Central Bank. The relatively small deficit represents a major effort by the Government to close the financing gap by increasing taxes and cutting expenditure.

The budget shows a big cut in capital expenditure for the year and the Government has agreed not to borrow more than CFA6bn abroad during 1980 and to borrow nothing which has a maturity of less than five years. It is the second year running the Government has published what it calls an austerity budget but it is the first which will impose really strict controls on the spending ministries, economists believe.

Total spending, including provision for debt servicing under the Paris Club accord, is up by only 3.79 per cent on last year to CFA57.2bn (£146m). Taxes have been increased by CFA5bn (£11m) reflecting a substantially increased contribution by the State-owned company OTP (Office Togolais des Phosphates) which mines and markets the country's prosphates.

The big increase in ministerial spending go to Education (25 per cent). Defence, Foreign Affairs and Information. Despite the rescheduling, debt servicing takes a large slice of Government expenditure. CFA15bn (£32.6m) is earmarked for repaying public debt and Government officials say that a further CFA5bn will be found to make up the total required under the Paris Club agreement of CFA20bn (£43.5m) for the year.

Biggest spender

Education remains by far the bigest spending ministry with a budget for 1980 of CFA 7bn (£15m). Only Defence comes anywhere near it with total spending of CFA 5bn (£11m) for the year. The cost of education reflects the country's impressive literacy campaign. But Government officials say it does not include a 10 per cent wage rise gi ven to all public sector employees in January this year.

The wage rise was the first in the public sector since January 1977 and real incomes had been seriously eroded by the rising cost of living. However a combination of the moderation shown in wage demands and a good harvest last year have helped to slow the rise in the cost of living index quite noticeably, economists say, and it is estimated at 10 per cent or even lower for 1979.

The barvest and the lower inflation rate should also insulate the man in the street to some extent against the hardships which the austerity measures may bring. Unemployment is bound to increase once the major industrial projects come to an end, but on the whole Togo should not have to accept a significant drop in its standard of living through the Government cutbacks.

The country is certainly helped by being a member of the French franc zone. France guarantees the value of the currency of countries in the zone against the French franc. The zone countries assure the free transfer of funds whatever the foreign exchange difficulties faced by individual members. In Togo's case it has meant that supermarkets are as full as ever and the tourist trade gets all the imports it needs to keep going.

The Government's commitment to a liberal trade policy and open economy has certainly impressed the IMF. The Fund has pointed out that whatever the difficulties of the private sector, the country's thriving private enterprises have provided a much needed tonic for the overall state of the economy.

Economists believe that Togo's combination of political stability, open market philosophy and stable currency will continue to make it attractive for foreign investment. But there are grave doubts about whether the heavy public sector investment in industry will ever pay off.

It was the Government's efforts to give the country an industrial base and wean it off dependence on the primary sector which led to the heavy borrowing abroad and the current debt servicing problems. But the headlong rush tot industrialise when phoaphate prices were high in 1973-74 has produced some very mixed results.

The oil refinery is beginning to pay for itself thanks to the price differential between the crude it buys from Nigeria and the value of the refined products it sells on the spot market. But the steel mill is unlikely to pay its way because of the increasing cost of fuel and the thermal power plant which should have provided energy for a number of industrial projects is also caught in the vice of escalating fuel costs.

Of the other projects, the giant cement clinker plant built in cooperation with Ghana and Ivory Coast stands a chance of paying for itself. The country's other big gamble, the tourist trade, looks more promising because the $25m luxury Sarakawa Hotel has done better than expected since it opened last year. But prospects for the $100m prestige February 2 Hotel are less certain.

Togo embarked on most of its public sector investment in 1973-74 following a quadrupling of the world price for its principle export commody, phosphates. The Government expected its revenues from phosphates to remain high and accordingto the Third National Development Plan for 1976 to 1980 it anticipated an average growth rate of 8 per cent a year by tripling the level of investment to CFA 250bn during the plan period.

Agriculture was earmarked as the priority sector along with water supply and infrastructure. Although for the first two years of the plan the Government managed to keep to its target on investment, agricultural projects were delayed for studies to be made while industrial schemes went ahead. In addition, instead of financing two-thirds of the investment from domestic savings as planned, the Government turned to the liquid foreign banking system for funds and borrowed heavily, often on commercial terms.

Even after the rapid fall in phosphate prices (they had almost halved by 1976) the Government carried on borrowing to finance its projects. The result was the total foreign debt of more than $1bn. With a debt bigger than its GDP and four times annual export receipts it was clear that Togo was heading for trouble.

Debt servicing

Debt servicing rose alarmingly from 7 per cent of export receipts in 1975 to 16 per cent in 1977 and 26 per cent in 1978. Projections for 1979 were that debt servicing would reach 28 per cent and before the Paris Club agreement, the total for 1980 was 29 per cent.

The IMF was first called in during 1977. It proposed a 12-month package which ran from December 1977 to November 1978 and set targets for the budget, balance of payments, credit and money supply. During the 12 months, revenue rose 23 per cent while the growth in Government spending was held to 12 per cent.

The overall balance of payments deficit was halved from the previous year's total and the budget deficit was cut from the equivalent of 8 per cent of GDP to 5.6 per cent. But there was a significant surge in the Government's extra-budgetary expenditure and a failure to meet foreign debt obligations.

By the end of 1978 things had reached crisis point and it was then necessary to negotiate the Mark 2 agreement with the IMF and the Paris Club accord. But economists feel that the controls imposed on Togo to recover from its difficulties have given it a chance to emerge from the crisis stronger and better managed than when it started.

That optimistic assessment depends on two things, they say: the determination of President Eyadema's Government to continue its economic austerity policies at least until it is over the foreign debt hump in 1984, and the world market trends for the country's principle exports — phosphates, coffee and cocoa.

Phosphates account for 40 per cent of Togo's exports

Phosphates' crucial role

A CRUCIAL element in Togo's economic future will be what happens to world market prices for its primary export and foreign exchange earner — phosphates. At present, things are looking much brighter for the industry which has been the backbone of the country's economy, along with agriculture, for the past decade.

This year, a fifth treatment line and a secondary recovery plant to rescue phosphates previously lost to the sea are being installed. It means capacity should rise to around 3.5m tonnes in 1980 having hovered at 2.8m for 1978 and 1979 although full production won't be reached until May. World prices have also staged a recovery going up about 45 per cent during the past 12 months.

Although the combination of higher prices and increased production are bound to boost Government revenues from phosphates, the profit margins have been cut significantly by the fall in the value of the U.S. dollar and higher freight rates. All those elements will decide how much more than the CFA 13.5bn which the Government has allowed as tax on the phosphate industry in its 1980 budget will eventually materialise.

One reform which will certainly help the industry is the decision this year to merge the producer and marketing concerns into one single company OTP (Office Togolais des Phophates). Previously, the mining company was obliged to sell the phosphates at a fixed price to the marketing company and as a result of the low fixed price the mining company sometimes made a loss.

The history of the phosphate industry has been intimately linked with the history of Togo's development and especially with the history of President Eyadema's time in power. It was soon after the President's announcement that his Government was going to take a majority shareholding in the Franco-American phosphate interests that he escaped unhurt from a mysterious plane crash. He blamed the phosphate company for trying to kill him and promptly nationalised the industry 100 per cent.

It was also the rapid rise in phosphate prices in 1974-75 which encouraged the Government to embark on its ambitious industrialisation plans. The price almost quintupled from CFA3,034 (£6.60) a tonne to CFA14,753 (£32) but then fell by almost a half during the next year, forcing Government revenue well below expectations.

Phosphates still account for around 40 per cent of total exports and are central to future economic planning. That is why the Government has decided that the only major capital project which should be included in the next five-year development plan starting next year should be a phosphate fertiliser plant. The plant could use up to 1m tonnes of low-grade phosphate deposits a year, producing fertiliser mainly for the export market. The plan is getting World Bank assistance.

Planting programme boosts coffee and cocoa output

WITH THE decline of phosphate prices, Togo's two principle cash crops, coffee and cocoa, have taken on an even greater importance as foreign exchange earners. Between them they now account for about 30 per cent of export receipts and are a major source of Government revenue.

From the mid 60s onwards the production of coffee and cocoa began to stagnate and even though smuggled goods coming from neighbouring Ghana tended to inflate the statistics, it became obvious from the early 70s that prodnction was seriously decreasing.

The fundamental problem was inadequate finance. Although the Third National Development Plan for 1976 to 1980 made great play of helping agriculture, much of the investment went instead on the giant industrial projects such as the steel mill and petrol refinery.

Producer prices represented increasingly less of the world market value of the crop and the farmer's real income was eroded hy a gradually increasing inflation rate. Without the incentive to look after his fields, the cocoa and coffee industries were affected by ageing trees and a lack of the necessary inputs.

To overcome the problems, the Togolese Government founded the National Society for the Renovation and Development of the Coffee and Cocoa Industries (SRCC) in 1971. With the help of the French Government, a programme was started to encourage the peasant farmer to replant by subsidising him during the long period of maturing for coffee and cocoa—five years for coffee and seven years for cocoa.

A farm near Lama Kara

First plan

The first major replanting and rehabilitation plan went into action in 1975 and covers the five-year period to the end of 1980. The programme got the backing of the World Bank and the French Government and aimed to cover 4,000 hectares of coffee and 4,400 hectares of cocoa.

Most of the growing is done in the lush areas near the border with Ghana, particularly in the plains of Kloto and Litime. In that area there is a total of 37,000 hectares of cocoa under cultivation and 50,000 hectares of coffee. When the project started, about 40 per cent of the cocoa plants were more than 30 years old and most of the coffee plants were well past their prime.

The coffee replanting has proved a spectacular success with more than 5,600 hectares being renovated which was 40 per cent above the target. As a result, the second renovation programme which will run from 1980 to 1985 aims to replant and rehabilitate a further 7,500 hectares.

The cocoa programme was not so successful, achieving under half its planned total. The reasons for the outcome were essentially the problems of land tenure, the lack of money offered to the farmer as an incentive to replace his plants, and the effects of the 1976/77 drought which hit the programme for producing replacement plants.

Nonetheless, the Governmeot is hopeful that the second phase of the project covering 4,000 bectares will be more successful, especially as both the coffee and cocoa programmes will have the additional element of encouraging food crop production at the same time.

As part of the programme for encouraging production, the Government has also raised prodncer prices for the 1978 season to CFA 180 per kilo for coffee (CFA 145 for 1977) and for cocoa to CFA 200 per kilo (CFA 150 for 1977) after a number of years in which the farmers' income bad been shrinking in real terms.

The combination of the increased producer prices and the gradual replanting showed its first positive results in the 1979 season for coffee, hut cocoa continued its decline. The increased yield from coffee was also due to favourable weather conditions.

The Government is optimistic that coffee will continue its increase. It had slowly declined since 1974 when production stood at 11,000 tonnes, hut last year reacher 6,000 tonnes which was a 25 per cent increase on the previous year. If all goes well with the second replanting project the projections are that production will reach 12,700 tonnes by 1985 and 14,600 tonnes by 1995.

Because less progress has been made with the cocoa project, production once again declined last year to 12,500 tonoes from a high of 18,700 tonnes in 1969. The poor showing in 1979 has made it less likely that Togo can match up to projections which envisage production of 17,100 tonnes in 1985 and 20,700 tonnes in 1995.

Mixed future

The future is also mixed for another major export crop—cotton. Cotton bas made a spectacular comeback in terms of production during the past three years, leaping from only 6,000 tonnes to 22,000 tonnes. The main reason for the increase is thought to be favourable weather conditions but there has also been a better realisation on the part of the peasant farmer that the crop is ideal for small-scale development.

The problem is that the mills are totally unable to cope with such a large crop, and a substantial amount of the 1979 humper crop could he wasted because of insufficient storage facilities and milling equipment. As a result, the Government is emharking on a major expansion of its milling facilities.

At the March meeting of the National Council of the Rassemblement du Peuple Togolais (RPT) the Ministry of Rural Development pointed out that the existing factories could only process around 12,000 tonnes of cotton because they were out of date and inefficient. Since production could reach 30,000 tonnes in 1980 it was stressed that the construction of new mills was vital.

Under present plans, a mill being constructed at Lama-Kara which will be able to process 20,000 tonnes will be insufficient even before it is opened. Other projects include the building of a mill at Notse in 1981 and the integration of the two mills at Atakpame into a siogle unit capable of processing 20,000 tonnes. If the programmes go ahead on schedule, it should be possible to process a maximum of 60,000 tonnes by 1985 hy when productioo is expected to have reached only 55,000 toooes a year.

One of the biggest failures in the cash crop sector, however, has been the palm oil productioo which bas dropped dramatically from production of over 7,700 tonnes in 1974 to under 1,000 tonnes in 1978 although it increased last year quite considerably. A special Government organisatioo, Sonaph, bas been created to encourage plantation productioo as well as peasant output.

At the same March meeting of the RPT, the Ministry of Rural Development said there was an "urgent need to take nrgent measures" to stop the annual decline in palm oil production. It explained the decrease by describing ageing trees and the tendency of the peasantry to cut the palms down in favour of more lucrative food crops.

The Ministry also attacked the "had will" among the peasantry to look after the palms hnt did not mention aoy specific programme designed to encourage the production of oil. Despite the decline, milling capacity has been increased, according to the Ministry, with the expansion and renovation of the Alokoegbe mill and the construction of a mill at Agou.

The Ministry of Rural Development has announced plans to develop thousands of hectares for okil palms, bnt so far the progress has been slow and the 1970 figure of 5,700 hectares of oil palm under cultivation has certainly been considerably reduced.

In general, the Government bas made it plain that it does not want to repeat the same mistakes in agriculture during the period of the Fourth National Development Plan from 1981 to 1985. The new plan will put the accent on small-scale irrigation projects, accordiog to the Ministry, while pressing for self-sufficiency in foodstuffs.

Goal is food self-sufficiency

NOWHERE HAS the Togolese Government'a powerful propaganda machine been more in evidence than in the peasant agricultural sector. Since 1975 was made the Year of the Peasant there have been successive Government campaigns to encourage peasant food production and make the country self-sufficient in staples.

In 1977, during a national seminar on agricultural production, President Eyadema announced that self sufficiency in basic food-stuffs should be achieved within five years. It looks very unlikely that auch a goal can be achieved because of variable weather conditions, but the next five-year development plan which runs from 1981 will stress the importance of achieving self-sufficiency during the plan period.

More than 80 per cent of the population still depends on agriculture for a living and much of the farming is on a subsistence level. The unpredictability of the weather makes it a hazardous pursuit and the lowel evel of commercialisation in the peasant sector means low standarda of living.

Those low standards have in turn produced the familiar pattern of young people drifting into the urban areas creating a social problem in the cities and leaving the land starved of young labour. The Government has started a "back to the land" compaign to encourage civil servants to cultivate some land themselves, but the efforts have had marginal impact.

The peasant agricultural sector also bas to face the problems of securing the correct inputs and obtaining scarce credit. The Government has tried to tackle the problem through the National Agricultural Credit Bank which has a high level of bad debt on its lending.

Despite the difficulties, Government figures show a substantial surplus of root crops for the past two years, some of which have been exported. Cassava and yams both reached production levels of around 300,000 tonnes for the past two years and their abundance has forced prices down in the rural areas, making a big difference to the cost-of-living index.

Leaf-thatched houses at Badou

On the other band, Togo cannot meet domestic demand for such cereals as maize and rice. The 1979 figures estimate a shortfall in maize production of nearly 8,000 tonnes despite the fact that production rose to an estimated 121,000 tonnes. Growing demand for rice meant a shortfall of over 6,000 tonnes on a small domestic production of 11,000 tonnes.

Intervention

The problems of food production in the peasant sector were discussed at the March National Council of Rassemblement du Peuple Togolais (RPT). The Ministry of Rural Development said the peasant farmer had reached maximum production nnder present conditions and that it was necessary for the Government to intervene to increase output.

The Ministry proposed the following remedies for the problems: increasing the area under cultivation; introducing mechanisation; guaranteeing a water supply; redncing waste an dcontrollin gprices. Some of these proposals are likely to be included in the next National Development Plan.

On increasing the area under cultivation, the Ministry pointed out that only 11 per cent of Togo's surface area is presently being cultivated and that combined with small-scale mechanisation to enhance the farmer'a wor koutput, much more could be cultivated.

The difficulty the Government faces in implementing a policy of increased cultivattion is the complex land tenure system. An attempt at breaking the iron grip of the old system was made in 1974 with the publication of a decree which hrought all unused land into puhlic hands. But the decree has not made a significant impact on the land question yet.

The Government also promised to help the farmer hy making the necessary inputs more readily available and increasing the low yield which he is at present getting. But although fertiliser is heavily subsidised and Togo is planning to build its own fertiliser plant, [illegible] 9,000 tonnes.

Guaranteeing water supply will he part of the next development plan when small scale irrigation projects covering 1 to 10 hectares will he a major plank of future development. Erratic rainfall over the past years has played havoe with the country's food output.

Reducing wastage is considered vital because at present an estimated 30 per cent of peasant production goes rotten before it can he commercialised. The national marketing organisation for cereal crops—Togograin—blames the village farmer, saying that insufficient storage is availahl eat that level. The Government is therefore committed to improving village storage facilities.

The Government is also anxious to encourage livestock production which has been almost non-existent in Togo. Cattle have come down from the north, predominantly Upper Volta, but the even more uncertain weather conditions in that area have made it imperative for Togo to develop its own [illegible]

Tourism is Government's big gamble

IN THE lush hills above the town of Kpalime, e mock-medieval chateau stands incongruously aloof in its setting of tropical vegetation. If it were not for the blistering African sun and the dense hush it would be easy to imagine the house back in France which clearly inapired the architecture. But work is in progress to turn the chateau, built by a French lawyer in the 40s, into a modern botel.

It is one of the most imaginative projects in Togo'a drive to make tourism a major industry and foreign exchange earner. At Chateaur Viale an extra floor is being added to allow for more bedrooms and a restaurant while in the grounds a number of bungalows and e swimming pool are being built.

The Togolese Government admits that *tourism* is its big gamble. But opinions differ as to what the adds are that it will pay off. Hotel huilding hae gone on at a frenetic pace over the past five years so that the number of hotel bedrooms has leapt from just over 1,000 in 1976 to more than 2,000 in 1979 and to 3 000 this year.

The Government sees tourism as an essential foreign exchange earner, e useful means of increasing employment and a way of spreading the henefits of prosperity throughout the country by encouraging visitors to leave Lome and travel around. Bnt although the number of visitors is climbing at a respectable rate, there is still a long way to go before Togo reaches capacity as far as its hotel accommodetion is concerned.

Rising

The figures for tourists has climbed steadily, according to the Directorate for Tourism and Hotellery from 60,000 in 1976 to an estimated 76,000 in 1978. The Directorate says the country hopes to welcome *100,000* tourists during 1980 although most other Government sources consider this an optimistic figure.

At the same time, income from hotels has risen fast, according to the Directorate, from just over CFA 1bn (£2m) in 1976 [illegible] figure rose to CFA 2.3bn ([illegible].7m) and forecasts for 1980 [illegible] anything from £5.5m to [illegible] depending on which [illegible] is giving the figures. The considerable extra income generated from eating out, buying curios, or car rental is difficult to quantify.

The hotel industry employs around 3,000 people at present though the Directorate of Tourism helieves that more people could be taken on at the newly opened Sarakawa Hotel and the February 2 Hotel which will he open later this year. Employment averages 1.5 staff to each bedroom, although in the older hotels it is nearer 2 per bedroom. Again there is the marginal employment generated by aelling curious and other employment related to tourism.

But while the immediate returns are as good as the Government could have hoped, sometimes better, a great deal of puhlic sector money has been invested in tha industry, especially in building hotels. The Sarakawa is the country's latest tourist hotel with 250 heds. Built at a cost of $25m it occuples an impressive position right on the beach and as well as the main hotel there are eight groups of dnplex units within a stone'a throw of the sea.

The most ambitious *project* Togo has undertaken — the $100m February 2 Hotel—opens later this year. It must be the most luxurious hotel in West Africa with its 52 presidential suitea comprising two bedrooms, a living room, two bathrooms and an office, 52 ministerial suites with a bedroom, living room and bathroom and 212 ordinary bedrooms with bath.

The 30-storey building dominates the Lome skyline and is designed to serve several purposes. As well as being a luxury hotel, it will house visiting dignitaries for international meetings and will serve as a conference centre. To serve all its purposes, the hotel has a 450-seat conference room, a 200-seat theatre, several resteraunts, a swimming pool and will eventually have e casino.

The botel group Sogetel will manage the complex and the Togolese Government hopes that the company will he able to generate new traffic for the hotel instead of just taking it away from the other luxury hotels in the town. Nonetheless, the most optimistic forecasts from the Directorate of Tourism for the first year of operation are occupancy rates of around 40 per cent, not including the presidential suites.

The Government is convinced that it will he able to fill all its hotels once tha tourist and business trade is more aware of Togo's potential. They cite as an example the much hetter than expected performance of the Sarakawa Hotel since it opened last September. The best the Government was hoping for was an occupancy rate of 45 to 50 per cent whereas it in fact reached 60 per cent without seriously affecting the other five-star Hotel de la Paix.

The Government's conviction that there is still plenty of room for expansion in the tourist trade is based on the fact that there is still very little charter trade coming to Togo and there is also a lot of potential in the interAfrican tourism, especially from neighbouring countries in West Africa.

Half from Europe

Until now, Europe has provided around half the tourists coming to Togo. The majority of those have come from countries with historical ties in Togo—France and Germany. But the only regular charter flights coming in are organised by a Swiss company from Zurich and have a *connection* with the large Tropicana Hotel outside Lome.

The Directorate of Tourism said that approaches to Air Afrique (which is jointly owned by a number of African countries) to persuade it to start charter flights to Togo had not proved successful. But there was e deal being investigated to bring Dutch tourists in with their national airline KLM.

In the meantime, Togo is conceotrating oo the African tourist trade. Over the Easter weekend, Togo's hotels were fully hooked thanks to a massive influx from countries such as Nigeria. The averege stay in Togo is still only three days, meaning that a lot of people either stop off on their way to, or on their way hack from somewhere else to profit from Togo's hotels and good food.

It is certainly true thet the country *hes a* number of netural advantages which favour the development of a tourist industry. Although it has only e tiny seaboerd, the country snakes a long way inland, giving the visitor a wide cross section of Africa from the tropical areas near the coast to the more arid regions in the north near the border with Upper Volta.

To try to spread the material benefits which tourism can bring, tha Government has embarked on a big drive to improve hotel conditions in the interior. Nearly every major town has a hotel or motel of good standing and roads are, on the whole, good.

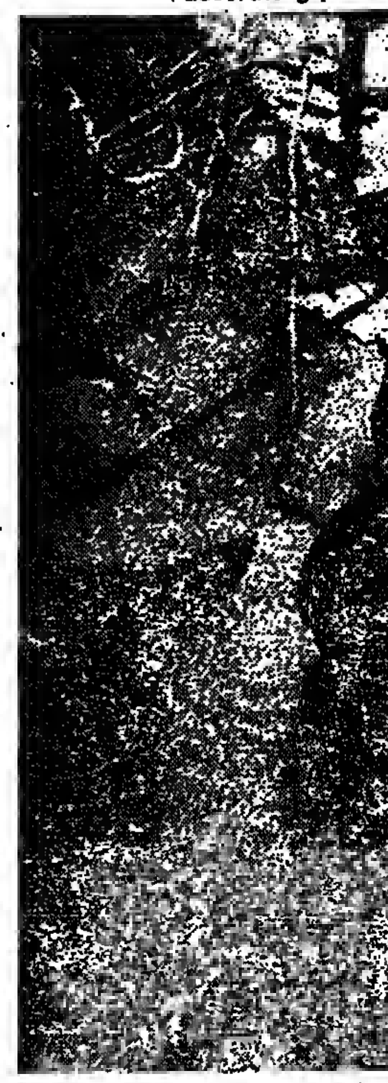
Travelling *inland has a* lot to recommand it. In the sonth west Plateaux region are the hills and waterfalls near the border with Ghana; in the central region are the virgin forests of Fazao and Malfakassa; while in the north there is a certain amountof game. Throughout the country there is a wide ethnic mix.

But perhaps the country's biggest asset is its people. Although generalisations can naver be more than a rough indicator, the Togolose are genuinely courteous and hospitable and the increased influx of tourists does not appear to have done anything to change their sunny outlook.

Howaver, the Directorate of Tourism admits that increased *tourism also brings* disadvantages, especially to a small country. At least one ethnic group in the north has been seriously disrupted by the arrival of the tourists and there is evidence of a growing underemployed sector living off the crumhs of tourism.

One government official said he believed it was a blessing in disguise that economic difficulties had forced a number of plans to be put on ice until the financial climate improves. It had been intended to build an 800-bed tourist village near the town of Ancho, a 200-bed hotel near the internetional airstrip at Niamtougou and another hotel near the border with Upper Volta.

The Government feels that a maximum number of 300,000 tourists a year could he eccommodated, especially if it carries out plans to build a series of *small* motels throughout the country. But as one Government minister said: "We don't want so many tourists thet they destroy the attractions they came o enjoy."



The market at Tabligbo and (below) finishing and decorating pots at Agome Glozo

Mixed results from industry

TOGO'S PUBLIC sector indnstry has come in for considerable criticism during the past few months. At last year's National Council meeting of the country's sole political party, the RPT, several speakers complained that State industries were simply draining away public finance. Those complaints were repeated at a seminar in December organised by the Chamber of Commerce and Industry.

Most economists agree that the fruits of Togo's headlong drive for industrialisation after the 1974 boom, when phosphate prices quadrupled, has produced some very mixed results. What is more, they point out that Togo's present financial difficulties stem largely from the heavy deht burden which the country contracted to build an industrial base.

The Togolese authorities counter criticism by saying that at least one of the projects which had been written off in some quarters as a white elephant—the oil refinery—has since started making money. They are confident that in the long run the industrial sector will contribute more and more to the development of the economy and wean the country away from an overdependence on the primary sector.

Despite the substantial investments which have been made over the past five years, the industrial sector remains small. In all there are about 40 medium sized enterprises in the puhlic and private sector though they cover a wide range of import substitution and exportahle goods.

In 1978 the Government revised the investment code to eocourage small and medium sized busioesses with a variety of tax and customs benefits. *Although* most of *the recent* expansion has been in heavy industry, the country does have a thriving private sector which has been ahle to take adventage of the excellent investment climate and the liberal approach to the economy adopted by the Government.

The biggest surprise in the public sector has heen the rapid turnround in fortunes of the $80m oil refinery built with ECGD backing and opened in 1978. The refinery bad opened in January 1978 and closed in August 1978 heving run at one third of its 1m tonne capacity and at a huge loss to the Treasury.

It then reopened in April 1979 nnder British instead of French management and has managed to clear existing dabts of around $42m including $20m owed to the Nigerian Government for supplies of crude. The success of the enterprise depends on the margin hetween the price of crude and the value of refined products on the Rotterdam spot market where Togo's production is sold.

At the moment all is going well for the refinery thanks to a supply contract agreed with Nigeria during a recent visit of President Eyadema to Lagos and the chaos on the spot market following the United Statas' threat of further economic sanctions against Iran.

Bnt part of the success of the refinery is that it is no longer ohliged to sell oil to other unprofitable State organisations which were notoriously bad payers. The refinery exports about 80 per cent of its total prodnction and will soon add an LPG bottling plant to its present facilities, which will also be largely for export.

Respectable

The country's cement plant (Cimtogo) is also running at a respectahle level. Having increased its production to more thao 300,000 tonnes a year in 1978 it is going to douhle its outpnt to aroond 700,000 tonnes in order to supply the rapidly growing domestic demand for cement and the export potential.

The Government is also optimistic about the future of the three nation Cimeo project (West African Cement Company). The plant, which is due to come on stream this year, has been built to supply Ivory Coast, Chana and Togo and will have an initial capacity of 1.2m tonnes a year.

The financing for the $221m plant and $71m investment in infrastructural improvements has heen provided by e group of North American, Arah and European development hanks. Togo will benefit io a number of ways from the plant through increased export earnings and infrastructure which includes an 80 km rail link between the plant and the port of Lome.

It has been sited 80 km northeast of Lome where there are deposits of lime estimated at 155m tons. Togo also has the necessary deposits of sand and clay in large quantities. The only hitch may be in providing fuel now that the thermal plant which was being built is clearly not viahle.

The thermal power plant ia one of the projects which is bound to prove a money loser for the Government. Ironically, the high cost of refined oil which has made the refinery a success has spelled doom for the power plant which is designed to run on fuel oil to produce 50 megawatts of urgently needed electricity hut wonld only be ahle to do it at six times the cost of power now coming from Ghana.

The bigh cost of power in turn makes it even more unlikely that the $37m steel mill which opened last year will ever be able of run successfully. The plant waa to produce 20,000 tonnes of steel rod annually for use in reinforced concrete. It hegan life refining the old wharf in Lome and has been refining imported scrap iron from Mali. Government officiels say it now fuoctions only periodically.

Several industrial projects have been started in the north of the country to spread the henefits of Government investment. The Togo Textile Industry (*ITT*) has been running since 1966 and a second factory has just been completed by a Spanish company to make fabrics, mostly for the export market.

A tentative effort has also been mede in the food processing industry with the consiruction of a sugar factory near Sokode, a new palm oil mill at Agou and a powdered milk plant built with e Danish loan to produce 3,500 tonnes of powdered milk a year. In edditioo, a West German company has huilt a glass factory in the industrial zone.

The continuing expansion of the industrial sector bas put an increasing strain on the country's power supplics and the realisation that the thermel *power plant will not be viable* has made an alternative source even more urgent. The higgest alternative project is the dam proposed for the Mono River.

A contract for the hdyroelectric project was signed in December, 1978, with Electrowatt of Switzerland and Sogreah of France and a feasibility study has been completed. In the meantime, Togo must depend on supplies of electricity from the giant Akossombo dam in Ghano.

WORLD STOCK MARKETS

Dow rallies to 809.9 at 1 pm

AFTER AN EASIER tone early in the session, Wall Street showed a mixed tendency through most of the morning, as the effects of the declining prime rate continued to be offset by concern about the depth of the recession.

The Dow Jones Industrial Average, after a decline of 3.58 at 11 am, rallied to 809.90 at 1 pm, 1.02 down on the overnight level. The NYSE All Common Index was 6 cents up at $60.11, after dipping to $59.95 earlier. Advances led declines 7 to 5 on volume of shares, compared with Friday's mid-session figure of 20.84m.

Morgan Guaranty cut its prime rate a full point to 17½ per cent, leaving rates at major banks spread from 17½ to 19 per cent. But institutions remain mostly on the sidelines. Analysts said that, with recent economic news such as unemployment, car sales and leading indicators suggesting a sharp recession, there is little reason for institutions to be aggressive buyers.

Concern about the approaching OPEC meeting had a negative effect on the market overall, although higher prices could aid some Oils.

Interest rate-sensitive stocks rose, particularly banks. Active Citicorp gained 1⅛ to $20⅞. Bank America ⅞ to $25⅛, ex-dividend, Chemical New York $1 to $38⅛ and Bankers Trust $1 to $43⅛. Volume leader Public Service Electric and Gas picked up ⅛ to $19⅞.

General Motors lost ⅜ to $44⅞ and Ford Motor ⅞ to $22⅞. GM's late-April car sales fell 34 per cent and Ford's 47 per cent. Chrysler, which said it did not expect a decision yesterday from the Loan Guarantee Board, eased ⅛ to $6⅞.

Boeing, which won a $141.6m Navy contract for air-launched cruise missiles, improved 1⅛ to $35⅛. Earlier, Grand Metropolitan of London, which wants to buy Liggett for $50 a share, said a South Carolina hearing officer recommended the state securities commissioner to allow the bid to proceed after a five-day wait.

THE AMERICAN SE Market Value Index gained 1.08 to 255.89 on volume of 1.94m shares at 1 pm (1.87m).

Closing prices for North America were not available for this edition.

Canada

The market at noon was mixed in moderate trading. The Toronto Composite Index eased 2.4 to 1882.5, Golds lost 38.6 to 2902.4 and Metals and Minerals 8.0 to 1747.9, but Oil and Gas improved 1.6 to 4303.3 and gains led declines by 149 to 143. In Montreal, Industrials firmed 0.02 to 354.01, but Banks slipped 0.82 to 308.79 and Utilities 0.63 to 239.25.

Germany

The declining trend continued in most sectors, with the Commerzbank Index shedding 2.9 to 85.4, in the wake of the Bundesbank's decision last Wednesday to tighten credit by raising the Discount and Lombard rates.

Motor shares were easier. BMW lost DM 1.50 to DM 11.50, Daimler-Benz DM 1 to DM 246, and Volkswagen 90 pfennigs to DM 184.5.

Chemicals and Machines were mixed, with Bayer down DM 1 to DM 223 while Hoechst gained DM 2.30 to DM 118.20.

Among Machine Manufacturers, KHD dipped DM 7 to DM 210.5 as rumours that the company would be offering free shares to shareholders proved false. Against the trend, Linde gained DM 4.50 to DM 300, but MAN shed DM 2 to DM 186.5 and Babcock also slipped DM 2.

In Banks, Deutsche Bank declined DM 2.4 to DM 250.6.

Stores were steady to lower, with Horten unchanged on DM 130 and Kaufhof down DM 1 at DM 199. Neckermann lost DM 2 but Karstadt gained DM 3 to DM 255 against the trend.

On the Domestic Bond market, Government issues eased by up to 70 pfennigs and the Bundesbank sold DM 9.5m nominal of paper. Mark Eurobonds were mixed.

Paris

French share prices generally closed slightly above their Friday levels in light trading. Once again, there was no news to affect trading but observers said the firm undertone on Wall Street at the end of last week had encouraged investors in Paris.

Banks, Foods, Hotels, Electricals, Metals and Chemicals were in demand. Portfolios and Mechanicals were generally weak, however, and Constructions, Stores and Oils finished mixed.

Advances led declines by 05 to 7 in the French section and by 35 to 18 among International issues.

Marine-Wendel made the day's strongest gain with an increase of 7 per cent. Among other favoured issues were Credit du Nord, Roche Picarde, Peugeot-Citroen, Generale D'Entreprises, Club Méditerranée, Arjomari, UIS, SAT, Merieux, Navigation Mixte, Majorette, Carrefour and Essilor.

Hong Kong

The market opened firm and continued its upward trend for most of the day. Although at one stage in the morning session the Hang Seng Index lost 5.67 points, it recovered to close at 858.40, its best level for the day and 4.18 up on Friday's close.

Among the market leaders to show improvement, Jardine Matheson rose 20 cents to HK$14.00, Hutchison Whampoa 15 cents to HK$8.25, and Cheung Kong 20 cents to HK$13.70.

Elsewhere, China Light gained 10 cents to close at HK$18.50, Hong Kong Hotels 40 cents to HK$27.70, Sun Hung Kai Properties 40 cents to HK$20.40, New World Developments 48 cents to HK$3.75 and Hong Kong Telephone 30 cents to HK$24.20.

Turnover at the four Stock Exchanges totalled HK$74.11m, compared with HK$136.74m on Friday.

Australia

Prices closed somewhat easier after light trading, with rises edging ahead of falls by 105-to-104.

Speculation that another round of oil price rises would follow the OPEC meeting next week produced some rises in Oils, where advances outpaced declines by 21-to-15. Hartogen, the Surat Basin oil discoverer, led the rally by adding 15 cents at A$3.60, while Cooper Basin partners Santos and Comgas each put on 10 cents to close at A$8.50 and A$4.40 respectively.

The prospect of a recession in the U.S. dulled trading elsewhere in the market dealers said. Although selected Uraniums made gains, Mining stocks generally eased. Utah Mining lost 5 cents to A$4.15, and a 30-cent loss by Queensland Mines to A$7.20 took the edge off takeover rumours.

Coal stocks were generally subdued as the NSW-Queensland coal dispute gathered momentum and BHP, which had had to cut iron production as a result of the dispute, fell 15 cents to A$12.00.

Johannesburg

Gold shares closed generally firmer but turnover was small with market activity subdued, in response to a basically steady international bullion price and with London closed for May Day holiday.

Vaal Reefs rose R1 to R59.50, East Driefontein 35 cents to R23.75 and Kloof 25 cents to R29.00. Mining Financials followed producers, with Anglos adding 15 cents at R13.15.

Platinums closed mixed with an easier bias, but other Metals were neglected. Industrials were mixed with a firmer bias.

NEW YORK

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

SWEDEN

GERMANY

SWITZERLAND

AUSTRIA

BELGIUM/LUXEMBOURG

HONG KONG

SINGAPORE

SOUTH AFRICA

JAPAN

BRAZIL

Indices

NEW YORK ACTIVE STOCKS

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Spanish prices Page 19

INTERNATIONAL COMPANIES and FINANCE

Korean Airlines loan plan reviewed

By Peter Montagnon

KOREAN AIRLINES (KAL) is reviewiog with the banks involved in its $500m Eurocredit signed last October the financial performance standards set out in the loan documentation. Until the review is competed the airline may not be able to draw on the credit, which was arranged to finance the purchase of Boeing aircraft and parts.

The review became necessary after it emerged that the airline had failed to keep up the atandards last year, though bankers close to the loan said io Hong Kong yesterday that they could not detail exactly wbich standards had not been met.

The airline is still profitable, they said, though it has been suffering from the worldwide cost pressure on the air travel industry caused by rising fuel prices. This was aggravated in KAL's case by the political uncertainty in South Korea caused by the assassination of Presirent Park Chung Hee last October.

The bankers said that the airline's failure to comply with the performance criteria has reopened some of the considerations attached to the credit. Tbe 42 banks which are providing the funds have not yet formally agreed how to settle these.

It is unlikely that the discussions will actually lead to a change in pricing of the loan wbicb is in three tranches all maturing ten years after the dats of delivery of the aircraft.

The main tranche, amounting to $369m, carries a spread of ⅝ per cent above London interbank rates throughout. The other two tranches, which together total $131m, carry a spread of ½ per cent for the first five years, risin gto ⅝ per cent for the remainedr.

Proceeds are to finance the purchase of seven Boeing 747's and spare parts for ten aircraft.

The agent for the credit is Asia Pacific Capital Corporation, while the lead managers are Bank of Montreal (Asia), Citicorp International, National Westminster, Fuji Bank, Bank of Tokyo and First Chicago Asia Merchant Bank.

The Korea Development Bank, which acted as a financial adviser to the borrower in the original negotiations, has been actively involved in the present review

Volvo expects to maintain last year's earnings level

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

VOLVO, THE Swedish car and truck group, expects to face greater problems this year than in 1979 but hopes to maintain last year's earnings of SKr 1.24bn ($292m). This forecast, according to Mr. Pehr Gyllenhammar, the managing director, writing in the shareholders' report, depends on there being no deterioration in Sweden's general competitive position.

The reservation is relevant in the light of the current Swedisb strike and lock-out which is affecting Volvo as it does the greater part of Swedish industry.

As previously reported, Volvo's biggest ever consolidated pre-tax profit last year was made on a turnover of SKr 23.47bn ($5.52bn), up 23 per cent from 1978, an dthe Board proposes to raise the shareholders' dividend by SKr 1 to SKr 8 a share. Group net profit came out at SKr 416m.

Profitability must be strengthened even further, to ensure a high rate of development, security of employment and a competitive return to shareholders, Mr. Gyllenhammar writes. He believes this can be achieved from 1981 onwards but hopes that the world car market will not be distorted by "protectionism and official interventions."

A profit breakdown shows that Volvo still depends heavily on the earning capacity of its trucks. Trucks and buses contributed 58 per cent of SKr 720m of consolidated earnings on sales of SKr 6.6bn compared with the SKr 340m earned by the cars on a SKr 12.6bn turnover. The profit on cars, nevertheless, climbed by SKr 150m, although the Dutch operation continued to run at a loss.

The 1979 shareholders' report reveals a substantial consolidation of the balance sheet. A new share issue increased equity by SKr 212m and group liquid assets rose by SKr 1.13bn during the year to SKr 3.5bn. Volvo also has unused credit possibilities of around SKr 5.7bn, according to the report.

This high level of liquidity is related to management plans to step np investment spending over the next few years. The programme for 1980 includes new-capital investments amounting to SKr 1.59bn.

The agreement concluded last year with Renault, under which the French automobile manufacturer, secures 10 per cent of Volvo's car subsidiary reinforces the capital base for the car operation and opens the way for co-operation in new car projects, shareholders are told.

KHD sees further advances this year

By Roger Boyes in Bonn

KLOECKNER HUMBOLDT DEUTZ, the West German diesel motors and engineering group, is expecting increased turnover and satisfactory profits in 1980, after significant advances in earnings and sales over the past year.

The net profits of KHD's parent company rose last year to DM 52.1m ($28.9m) from DM 45.9m in 1978, while sales rose by 7 per cent to DM 3.37bn. After transferring DM 15m, the same amount as in 1978, to reserves, profits attributable to shareholders reached DM 37.1m compared with DM 30.9m in 1978. The dividend will none the less remain unchanged at DM 7 per DM 50 share.

The Cologne-based company, which produces diesel engines, agricultural equipment and process plant, is cautious about making any firm predictions for this year because of its vulnerability to shifts in the international political and economic climate.

McCormick acts to drive off Sandoz approaches

BY IAN HARGREAVES IN NEW YORK

McCORMICK, THE Maryland spice company, yesterday launched a volley of litigation designed to drive off for once and for all the unwelcome advances of Sandoz, the Swiss drugs and foods conglomerate.

McCormick said it would be filing, probably in the Federal Court in Baltimore, a suit charging that Sandoz's recent attempts to take over the American company violate Federal and State securities laws.

The company said it would seek "appropriate injunctive relief," but would not speculate on the nature of the injunction to be sought or whether the company was also trying to win damages from Sandoz.

The timing of McCormick's move in a tussle which has been quiet publicly since the U.S. company's directors formally rejected the Sandoz bid on March 20, related to another run-up in the price of McCormick stock, which is traded in the over the counter market.

McCormick shares opened yesterday morning at $29¼, up from $26 at the opening last Tuesday.

McCormick said it had heard nothing from Sandoz since March, but that persistent rumours had driven up the stock.

Sandoz's offer is worth $37 a share or a total of $401m.

Sandoz said at the time of the rejected offer that it would consider its next move. It faces great difficulty launching a hostile takeover because only 20 per cent of McCormick stock carries voting rights and a large proportion of this stock is held by McCormick directors.

Good first quarter at Nestlé

BY JOHN WICKS IN ZURICH

THIS YEAR got off to a good start for the Nestle food products group, according to Dr. Arthur Fuerer, the parent-company managing director. He said that turnover reached SwFr 5.6bn ($3.33bn) in the first quarter, an increase of 10.6 per cent on the corresponding period of 1979.

In 1979, group sales rose by 6.8 per cent to SwFr 21.6bn ($12.88m). Dr. Fuerer said that profits had attained target levels last year, consolidated operational earnings having risen by 19.3 per cent to SwFr 1.94bn.

Group net profits, up 10.4 per cent to SwFr 816m were still rather below the 4 per cent yield figure which Dr. Fuerer says will have to be reached and passed again.

A breakdown of turnover into product groups shows that last year, instant drinks accounted for 30.9 per cent and dairy products for 20.6 per cent of group sales.

In 1979, capital expenditure rose sharply to SwFr 1.05bn, as compared with only SwFr 805m in the previous year.

For 1980, the group foresees total capital expenditure, including acquisitions, of "between SwFr 1.2bn and SwFr 1.3bn or more," which indicates that only few acquisitions are expected this year. The stress is to be more on the expansion of the group's going facilities.

Court move on Nugan Hand (Hongkong)

By Philip Bowring in Hong Kong

AN OFFICIAL receiver has been appointed as provisional liquidator of Nugan Hand (Hong Kong) Ltd., a locally incorporated deposit taking company which is part of the troubled Australian-based Nugan Hand group.

A report prepared for the Government had indicated that Nugan Hand (Hongkong) was unable to meet its obligations. It said the company's records showed assets of HK$18.1m (equivalent to (U.S.$3.7m), but most of this was represented by claims on Nugan Hand Ltd. of Australia, for which company a provisional liquidator was appointed last month in Sydney.

Interest income boost for Swiss Bank

BY OUR ZURICH CORRESPONDENT

SWISS BANK Corporation, of Basle, Switzerland's biggest commercial bank, reports that it made "satisfactory" profits in the final quarter. Increased business volume led to a rise in net while interest earnings, while other profits were at the previous year's level and operating costs within budgeted limits.

The balancesheet total rose sharply in the quarter, by 15.6 per cent to a new high of SwFr 79.98bn ($47.6bn). This increase took place primarily during March, almost one-half of the growth being accounted for by the higher exchange rates for positions in foreign currencies, particularly dollars.

However, the bank's communique indicates that since the start of the current quarter there has been a "substantial correction" of the balancesheet total due to the new decline in the exchange rates of foreign exchange currencies against the Swiss franc.

The total sum due to banks rose by over 31 per cent in the three month period to Sw.Fr. 29.55bn, most of which was in the form of deposits with Swiss branches. Customers' deposits went up by 10 per cent to Sw.Fr. 41.74bn, some two-thirds of this increase involving foreign branches. The marked rise in time deposits is attributed mainly to the high short-term interest rates in the U.S.

FRENCH NEWS

Spie-Batignolles growth slows

BY DAVID WHITE IN PARIS

SPIE - BATIGNOLLES, the French - based construction gronp, had its growth record cut back sharply last year and suffered a further setback in the first quarter of this year.

Consolidated turnover for tbe group, which does most of its business overseas rose by only 4.4 per cent in 1979 to FFr 6.5bn ($1.55bn) from FFr 6.2bn, after expanding by 29 per cent the previous year. Sales for tha first quarter were just 3.7 per cent up on the same period last year.

The parent company, controlled by the Empain-Schneider group, showed a higher net profit, of FFr 30.5m ($7.2m) last year, compared with FFr 25.1m in 1978. This was after an increase of FFr 91m in risk provisions and the setting-aside of an extra FFr 38m for general risks. Consolidated net profit is expected to be around FFr 37m compared with the previous year's FFr 34m.

The company is proposing to raise the net dividend on its ordinary shares to FFr 5.30 from FFr 4.80. It is planning to reorganise its structure so that all its building and public works activities come under one subsidiary, SBTP.

Another leading French public works group, Societe Rontiere Colas, reported a 14 per cent increase in turnover last year to FFr 4.38bn ($1bn) and said it expected to pass the FFr 5bn mark this year. Turnover for the parent company in the first quarter was 40 per cent up but the company said it did not expect to keep up this rate for the whole year. More than 40 per cent of last year's urnover was outside France.

Consolidated profit for last year is estimated at FFr 73m ($17.2m) up from FFr 67.5m in 1978. Cash flow increased to abont FFr 265m from FFr 246m and is expected to reach FFr 300m this year. Parent company net profit rose to FFr 51m from FFr 54.5m and the proposed dividend is raised to FFr 20 from FFr 18, on share capital increased by 20 per cent.

A proposal by Colas to absorb another public works group, Travaux da L'est, awaits a green light from the French authorities.

Borel cuts year's loss

BY OUR PARIS STAFF

JACQUES BOREL International, tbe troubled French catering and hotel group, passed the breakeven point in the second half of last year and achieved a sharp reduction in its annual loss.

Provisional figures showed a net loss for the year of FFr 29.2m ($6.95m). This was well down on the 1978 figures of FFr 999.4m and was lower than tha deficit in the first-half.

The recovery programme for the company, which its founder, M. Jacques Borel left three years ago after a steep fall from its place of a glamour stock, has included a restreturing of its Sofitel hotel chain.

The acquisition of Sofitel was one of the main sources of the company's losses over the last four years.

Pending dividends

Company	Date	Announcement last year	Company	Date	Announcement last year
Allied Irish Banks	May 16	Final 7.143	*K Shoes	May 20	Int. 0.86
Armitage Shanks	June 5	Final 3.19	Keyser Ullman	May 23	Final due
AHZ Bank	May 21	Int. 10 cents	Land Secs.	May 30	Final 5
Avon Rubber	May 22	Int. 4.0	*Lloyds and Scottish	May 15	Int. 1.87
BOC Ind.	May 23	Int. 1.8	*London and Northern	May 20	Final 2.1
*Bank of Ireland	May 14	Final 11.0	London and O. Frns.	June 5	Final 1.072
Bass	May 20	Int. 2.1	Mallinson Denny	May 9	Final 1.868
Beecham	May 24	Final 12.075	*Marks and Spencer	May 7	Final 1.458
*Berec	May 18	Final 3.531	Marley	May 30	Int. 1.5
*Boots	May 22	Final 3.5	MEPC	May 31	Int. 1.5
*British Home Stores	May 12	Final 3.9	Minster Assets	May 30	Final 2.3
*British Sugar	May 8	Int. 1.815	[illegible] Foods	June 5	Int. 1.85
[illegible]	May 8	Final 0.53	*P & O	May 7	Final 3.542
*Brockhouse	May 22	Int. 2.0	Pegler-Hattersley	June 6	Final 5.031
Brown (Matthew)	May 17	Int. 1.28	*Percy Bilton	June 2	Final 4.636
Capital and Counties	May 24	Final 1.41	Hays Wharf	May 31	Final due
Carless Capel	June 5	Final 0.617	*RHM	May 28	Int. 1.72
Cater Ryder	May 14	Final 14.718	[illegible] Lampa	May 6	Int. 1.452
*Coats Patons	May 13	Final 2.342	[illegible]	[illegible]	[illegible]
*Courtaulds	May 22	Final 5.674	*Readicut	May 19	Int. 1.44
*Debenhams	May 8	Final 4.324	Reed Int.	May 29	Final 5
De La Rue	June 5	Final due	*Royal Bk. of Scotland	May 8	Int. 1.52
Dupart	May 16	Final 2.983	*Sainsbury (J.)	May 7	Final 4.85
Dutton-Forshaw	May 17	Final 1.83	*Sears	May 8	Final 0.94
Eastern Produce	May 30	Final 3.082	[illegible]	May 7	Int. 2.2
European Ferries	May 8	Final 1.38	600 Group	June 7	Final 2.634
Exchange Telegraph	May 24	Final 4.0335	Sketchley	June 8	Final 3.284
*French Kier	May 12	Final 1.1	Trafalgar Hse.	May 15	Int. 2.11
*Goldfields Group	June 10	Int. 1.53	UDS	May 14	Final 3.346
Greenall Whitley	May 25	Final 6.519	*Vaux Breweries	May 20	Int. 1.842
Guthrie	June 7	Final 15.0	Whitbread	May 15	Final 3.477
*Hall (Matthew)	May 7	Final due	[illegible]	May 20	Int. 2.5
Harrisons and Crosfield	June 7	Final 17.53			
*Heath (C. E.)	May 20	Final 3.6			
*Hoveringham	May 29	Final 1.626			
ICL	May 23	Int. 3.3			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

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Public Works Loan Board rates

Effective from May 3

Years	Quota loans repaid by EIP†	Quota loans repaid at maturity§		Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid at maturity§	
Up to 5	14¾	14¾	14¾	15¾	15¾	[illegible]
Over 5, up to 10	14¾	14¾	14¾	15¾	15¾	15¾
Over 10, up to 15	14¾	14¾	14¾	15¾	15¾	15
Over 15, up to 25	14¾	14¾	14¾	15	15	15
Over 25	14¾	14¾	14¾	15	15	15

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley (051 548 6555)	15¼	½-year	1,000	1
Redbridge (01-478 3020)	14¾	½-year	200	2-3
Redbridge (01-478 3020)	14¾	½-year	200	3-6

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
85	F.P.	16/5	95	85	Amstrad Cons. Elect.	90		bd3.8	5.0	6.3	7.2
190	F.P.	—	160	135	Hemerdon Mining 10c	140					
[illegible]	F.P.	—	101	96	Morley (R.H.) 10p	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	34	25	Roche Plant 10p	26½		[illegible]	[illegible]	[illegible]	[illegible]
110	F.P.	6/6	104	10	Trst. of Prop. Shrs. 5p	[illegible]					
[illegible]	F.P.	23/5	28	18	Ward Hldgs. Dfd.	21					

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
100p	F.P.	—	101	98	Edwards (L.C.) 8% Conv. Red. Cum. Pref.	101	
[illegible]	F.P.	—	112	104	Globe Inv Tst 11½% Conv Uns Ln 90-95	107	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Imp. Cont. Gas 8% Conv. Loan 1985-2000	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Leigh Interests Non-Conv. Uns. Ln. 1994-95	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid Kent Water 9% Red Pref. 1985	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid Southern 10% Red Prf. 1985	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	North Brit. Props. 9% Cnv. Uns. Ln.	[illegible]	
[illegible]	F.P.	[illegible]	92	91	Norwest Holst 11½% Red Cum Pref 1988	91	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Sutton District Water 10pc Red Pref. 1986	[illegible]	

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −
[illegible]	F.P.	[illegible]	356	293	Aran Energy	356	+3
[illegible]	F.P.	[illegible]	180	120	Arent Chemicals	156	+7
[illegible]	Nil	[illegible]	3pm	1pm	First Castle Secs.	2pm	
[illegible]	F.P.	[illegible]	665	560	Hammerson Prop. A	630	+5
[illegible]	F.P.	[illegible]	65	59	Howard Tenens	60	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Pancontinental	[illegible]	
[illegible]	Nil	[illegible]	17pm	13pm	Rugby Portland Cement	16pm	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Unitech	[illegible]	
[illegible]	F.P.	[illegible]	78	68	United Biscuits	75	
[illegible]	F.P.	[illegible]	140	133	Watmoughs	140	+5

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at 93.50 per unit. † Dealings under special rule.

BASE LENDING RATES

Bank	%	Bank	%
A.B.N. Bank	17	■ Guinness Mahon	17
Allied Irish Bank	17	■ Hambros Bank	17
Amro Bank	17	■ Hill Samuel	§17
American Express Bk.	17	C. Hoare & Co.	†17
Henry Ansbacher	17	Hongkong & Shanghai	17
A P Bank Ltd.	17	Industrial Bk. of Scot.	18
■ Arbuthnot Latham	17	Keyser Ullmann	17
Associates Cap. Corp.	17	Knowsley & Co. Ltd.	19
Banco de Bilbao	17	Langris Trust Ltd.	17
Bank of Credit & Cmce.	17	Lloyds Bank	17
Bank of Cyprus	17	Edward Manson & Co.	18
Bank of N.S.W.	17	Midland Bank	17
Banque Belge Ltd.	17	■ Samuel Montagu	17
Banque du Rhone et de la Tamise S.A.	17½	■ Morgan Grenfell	17
Barclays Bank	17	National Westminster	17
Bremar Holdings Ltd.	18	Norwich General Trust	17
Brit. Bank of Mid. East	17	P. S. Refson & Co.	17
■ Brown Shipley	17	Rossminster	17
Canada Perm't Trust	18	Ryl. Bk. Canada (Ldn.)	17
Cayzer Ltd.	17	Schlesinger Limited	17
Cedar Holdings	17	E. S. Schwab	17
■ Charterhouse Japhet	17	Security Trust Co. Ltd.	18
Choulartons	17	Standard Chartered	17
C. E. Coates	17	Trade Dev. Bank	17
Consolidated Credits	17	Trustee Savings Bank	17
Co-operative Bank	*17	Twentieth Century Bk.	18
Corinthian Secs.	17	United Bank of Kuwait	17
The Cyprus Popular Bk.	17	Whiteaway Laidlaw	17½
Duncan Lawrie	17	Williams & Glyn's	17
Eagil Trust	17	Wintrust Secs. Ltd.	17
E. T. Trust Limited	17	Yorkshire Bank	17
First Nat. Fin. Corp.	19½		
First Nat. Secs. Ltd.	19		
Robert Fraser	17		
■ Antony Gibbs	17		
Greyhound Guaranty	17		
Grindlays Bank	‡17		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15¾%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	46.1	49.6	-0.3	2.02
Abbey Capital	36.5	39.5	+0.4	5.83
Abbey General	47.3	50.6	+0.3	5.85
Abbey Gilt & F.I. Tst.	105.3	110.8	+0.5	9.66
Abbey Income	41.3	44.6	+0.2	8.80
Abbey Intl. Bd. Tst.	94.6	100.1	+0.2	5.49
Abbey Inv. Tst. Fnd.	37.2	40.2	+0.1	6.21
Equitas Prog. Trust	68.6	74.2	+0.1	6.04

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt & Pref.	87.8	92.5		13.27

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	75.7	81.0	+0.1	6.54
Brit. Inds. Fund	69.3	74.2	+0.4	6.82
Growth & Income	42.0	44.9	+0.3	5.61
Elect. & Ind. Dev.	37.3	39.9	+0.1	6.14
Allied Capital	76.8	82.2	+0.6	5.66
Hambro Fund	117.8	126.0	+0.7	6.40
Hambro Acc. Fund	145.0	155.2	+1.0	5.80
Income Funds				
High Yield Fd.	65.6	70.2	+0.2	10.83
High Income	69.6	74.5	+0.8	8.19
A. H. Eq. Inc.	40.9	43.8	+0.4	8.20
International Funds				
International	27.2	29.1	-0.1	3.72
Pacific Fund	44.3	47.4	-0.2	2.61
Secs. Of America	55.2	59.1	-0.7	2.37
Specialist Funds				
Smaller Co.'s Fd.	48.5	51.8	+0.3	4.83
2nd Smlr. Co's Fd.	56.6	60.6	+0.2	4.83

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485

Disc. Inc. April 25	202.0	215.5		5.74

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.2	18.3		7.89
Gt. Winchester O'seas	19.9	22.0		5.01

Emson & Dudley Tst. Mngmnt. Ltd.
28b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	70.8	76.2		6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	72.5	76.3		5.52

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	22.2	23.8	-0.3	1.00
Fixed Interest	25.0	26.4	-0.1	13.00
Growth + Income	29.8	31.4	+0.2	7.47
Special Sits.	28.3	29.8	+0.2	3.25

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	26.2	28.2		2.84
Accum. Units	29.2	31.7		2.84
J. Finlay High Income	31.6	34.0		10.50
J. Finlay Euro.Fin.	21.1	22.7		4.76
Accum. Units	26.4	28.5		4.76
J. Finlay Fd.In.Tst.	32.3	34.7		5.98
Accum. Units	39.6	42.6		5.98

Prices on April 30. Next dealing May 7.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American April 28	47.8	51.0		1.41
Am. T'arcoad Apr. 28	46.2	49.2		2.00
Capital Tst.	51.6	55.4	+0.2	4.92
(Accum. Units)	52.2	55.8	+0.2	4.92
Extra Income Trust	47.8	51.0	+0.2	10.30
Income Tst.	37.4	39.8	+0.2	8.36
Int. Growth Fd.	41.8	44.6	-0.2	2.25
(Accum. Units)	44.6	47.6		2.25

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	49.0	52.4	+0.4	5.34
Do. Accum.	69.1	73.9	+0.6	5.34

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

1J	10	Do. 6pc 1981-83	£77½xd	30.4	7.69	13.99
1Ja	1J	N.Z. 7¼pc 1988-92	63¾	3.12	11.81	13.91
15J	15D	Do. 7¼pc '83-86	78	15.11	9.97	13.56
1M	1N	Sth. Africa 9½pc '79-81	91½xd	27.3	10.37	15.94
1A	10	Sth. Rhod. 2½pc '65-70	149	3'66	—	—
15Ja	15J	Do. 6pc '78-81	157	17.65	—	—

LOANS

Public Board and Ind.

1Ja	1J	Agric. Mt. 5pc '59-89	59½	3.12	8.64	12.90
30J	31D	Alcan 10½pc '89-94	78¾	19.11	13.83	14.65
1M	1S	Met. Wtr. 3pc 'B'	27	1.2	11.31	13.32
30J	31D	U.S.M.C. 9pc 1982	94	5.11	10.44	—
30J	31D	Do. without Warrants	90	5.11	10.46	16.50

LOANS—Continued

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	ANZ $A1	207	[illegible]	Q22c	3.7	5.4	5.0
Feb.	Aug.	Alexanders D. £1	240	[illegible]	16.0	—	9.5	—
Feb.	Aug.	Algemene Fl.100	£66¾xd	[illegible]	Q25%	1.9	7.6	7.1
Oct.	Apr.	Allen Harvey £1	360	[illegible]	21.5	—	8.5	—
Dec.	June	Allied Irish	110	[illegible]	hQ8.09	—	7.1	—
—		Ansbacher (H.) 5p	13¼	[illegible]	—	—	—	—
Dec.	June	Arbuthnot L. £1	228	19.[illegible]	†10.42	—	9.3	—
July	Jan.	Bk. Ireland £1	325	19.11	Q25.0	—	7.5	—
Mar.	Sept.	Do. 10pc Conv.	£150	[illegible]	Q10%	—	F6.7	—
May	Nov.	Bk. Leumi $0.1	8	4.1	Q16%	—	—	—
Aug.	Feb.	Bk. Leumi (UK) £1	320	[illegible]	8.57	—	10.7	—
Jan.	July	Bk. N.S.W. $A1	145	[illegible]	Q18c	3.0	6.4	5.2
Nov.	May	Bank Scotland £1	245xd	21.4	15.0	5.1	8.7	3.1
A. J. O.	Ja	Bankers N.Y. $10	£18⅝	24.3	Q$3.30	—	8.1	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

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FINANCIAL TIMES

Tuesday May 6 1980

Britain faces EEC's reproach

By John Wyles and Margaret van Hattem in Brussels

BRITAIN'S EEC budget payment dispute returns to the centre of the Community stage today. Parallel meetings of Foreign and Agriculture Ministers start to wrestle with the consequences of last week's abortive Luxembourg summit.

Mrs. Margaret Thatcher's tactics there have proved so unpopular that both meetings might be conducted in an atmosphere of reproach for the British Ministers involved: Sir Ian Gilmour, Lord Privy Seal, and Mr. Peter Walker, Agriculture Minister.

The other eight member states are disappoined that Mrs. Thatcher rejected an offer of a generous reduction in the UK's 1980 payment.

But some, notably France, are aware that until she gets an acceptable budget deal, the UK will hold up implementation of a 5 per cent farm price increase endorsed by the other eight.

Community officials were not last night expecting any important breakthrough on either the budget or agriculture. Both meetings will be held at the same place at the same time, but it is unlikely that there will be enough hard bargaining to promise substantial movement towards a package deal.

At the Foreign Ministers' meeting, much might depend on how forcefully Sig. Emilio Colombo, of Italy, the chairman, tries to build on progress at Luxembourg.

There will be some hope if he can persuade France and West Germany to signal that they will put back on the table their offer of a £775m reduction in Britain's expected 1980 payment of £1.1bn.

That part was undoubtedly acceptable to Mrs. Thatcher but she is looking for equivalent concessions for 1981 and 1982, based on pegging the UK's net payment at an agreed level. She also wants a guarantee that the special arrangement would be extended if the UK's payment still looked likely to be disproportionate.

The other eight did not go further at Luxembourg than tabling a two-year deal. Little thought was given to a review clause.

There are signs the UK has taken note of its partners' extreme reluctance to devote a third summit in Venice in six weeks to Britain's budget demands.

The British Government is expected to try to encourage efforts aimed at an earlier outline agreement. This could mean real negotiations may be relaunched by Foreign Ministers at their meeting in Naples on May 17-18.

French threats to try and force through a 5 per cent farm price rise, on the basis of a majority vote excluding Britain, ensures an extremely tense start to the farm council meeting.

Officials and diplomats preparing for the meeting were anxious yesterday to play down the possibility of yet another Anglo-French political explosion.

Amid successive threats from Paris that British opposition to a price rise would be swept aside, they insisted Farm Ministers would stick to low-key talks on minor issues, and refinements of price and dairy reforms under discussion.

The last-minute decision to switch this week's farm council from Luxembourg to Brussels suggests that at least Italy (president of the Council of Ministers) hopes for parallel progress.

It is suggested a breakthrough in the Foreign Ministers' talks might help to unblock progress on farm issues, averting a potentially disastrous crisis.

The main hope in Brussels is that the French may be persuaded to calm down, and the Farm Ministers encouraged to pack up early—after extending the expiring marketing arrangements for yet another month—instead of staying the scheduled three days.

EEC MOVES TO COUNTER U.S. DUMPING

Acrylic fibre duty tops 15%

BY GILES MERRITT IN BRUSSELS

THE EEC Council of Ministers has imposed anti-dumping duties averaging more than 15 per cent on U.S. acrylic fibres entering the Common Market.

Yesterday the Brussels Commission confirmed that it was investigating further dumping complaints against U.S. fibre producers that might lead to comparable duties on polyester filament yarn.

The two actions on U.S. synthetic fibres, foreshadowed in the Financial Times on April 30, are expected to yield a sharp reduction in the volume of U.S. fibres sold in EEC markets.

European textile industry representatives claim that imports of U.S. fibres might be cut by 80 per cent.

The anti-dumping duties on acrylic fibres, set at 13.7 per cent for staple and 17.6 per cent for continuous filament yarn, will specifically affect a single large U.S. producer, American Cyanamid.

U.S. officials in Brussels say that such other synthetic fibre giants as Du Pont, Monsanto and Eastman raised their prices earlier to avoid the provisional anti-dumping duties imposed on acrylics by the EEC last December.

The new duties on acrylic fibres proposed by the Commission follow a Brussels investigation into export pricing practices of several countries producing them.

The probe cleared Greece and Turkey, but further anti-dumping procedures against Japan and Spain were dropped only after they gave undertakings to raise their prices to the EEC.

The confirmation of anti-dumping measures on acrylics is particularly welcome to the Italian textile industry, which has taken 75 per cent of all U.S. sales of acrylics to the EEC and whose producers' prices have been undercut by up to 25 per cent.

But the increasing likelihood of similar EEC action against polyesters is even more welcome to European fibre producers.

The inroads by low-cost U.S. polyester filament yarn into the EEC market has in recent years taken American producers' market share from comparatively little to 17 per cent by the end of 1979.

European fibre makers, who expect losses this year of about £250m, understand that the EEC study of their polyester-dumping complaints against the U.S. will shortly bring provisional anti-dumping duties.

To date only the UK has gained any protection on polyesters through its EEC-sanctioned import quotas, but even these have been dismissed by the UK industry as "totally inadequate."

Levy sought on petrochemicals

BY SUE CAMERON, CHEMICALS CORRESPONDENT

A GROUP of major European chemical companies is urging the U.S. to agree to introduction of a special temporary levy on American petrochemical exports to the UK and the Continent.

Representatives of the European group have discussed the proposal informally with U.S. officials. The reaction is believed to have been favourable.

The group is asking the European Council of Chemical Manufacturers' Associations to give the plan official backing.

Supporters of the scheme believe it will help to avert the threat of an all-out transatlantic trade war. They see the proposed levy as part of a deal between the EEC and the U.S.

The levy would be designed to cancel out the "unfair" advantage that U.S. chemical producers enjoy as a result of cheap Government-controlled oil and gas prices.

The European chemical companies, in return, would undertake to block any hawkish moves toward protectionism, such as demands for EEC import quotas.

It is hoped that the deal can be arranged under Article 23 of the General Agreement on Tariffs and Trade, which enables interested parties to discuss matters of common interest.

The European chemical industry has been deeply worried about growth of cheap U.S. petrochemical exports since the autumn.

Concern has been heightened by the fact that U.S. chemical companies pay comparatively low prices for oil and gas they use as petrochemical raw materials.

Earlier this year some European producers demanded a hard line against the U.S., and the chemical manufacturing organisation looked into possibilities of launching anti-dumping cases.

A small group of European companies, believed to include some of the German chemical giants, fear that the net result will be a petrochemicals trade war that no one can hope to win.

They think it may prove impossible to make anti-dumping cases against the U.S. industry stick, and stress that U.S. Government-controlled oil and gas prices are not the only reason why U.S. producers are sometimes able to undercut European competitors.

The U.S. is apparently willing to admit that its controls on energy prices give its chemical producers an unfair advantage over other countries. But several big U.S. chemical companies have been angered by some complaints of their European competitors.

Most U.S. producers use the gas ethane as a feedstock for making ethylene, the so-called "building block" of the chemical industry used to make many things, including plastics. Ethane is more efficient and economic than the oil-based naptha used by most European chemical groups.

Government plans 'detente' with unions

BY CHRISTIAN TYLER, LABOUR EDITOR

LONG-RANGE PLANS to repair damage done to Government-TUC relations by the Employment Bill and unpopular economic decisions are being prepared in the Department of Employment.

They are motivated by fears that moderate trade union leaders will be swept along by the present tide of vociferous opposition — illustrated by the TUC Day of Action on May 14 — and that the field will be left wide open for the Left.

An opportunity for détente with the TUC has been provided by the Government's decision to publish a "green paper," probably about November, on the complicated and controversial question of trade unions' legal immunities.

Trade union leaders suspect, and the Conservative Party hawks — including the Prime Minister, the Chancellor and some Tory backbenchers — hope that it will be the prelude to further restrictions on unions, including possibly seizure of their funds for payment of civil damages.

But the "doves" surrounding Mr. James Prior, Employment Secretary, see the green paper as a chance to launch some new initiatives in industrial relations that will appeal to the moderate leadership, to "get them out of Trafalgar Square and into Whitehall."

On the assumption that the Employment Bill passes quietly into law by the end of July and that there are no big disputes to rekindle political pressure for further anti-union measures, several proposals are now being worked on.

The first is to re-draft the law on immunity as it has stood for nearly 100 years by conferring positive rights, instead of negative immunities, for certain kinds of industrial action. The right to strike, for instance, was enacted — for the first time ever in Britain — in the ill-fated Industrial Relations Act, 1971.

Secondly, the paper may travel widely over the ground covered by the 1965-68 Donovan Commission on Trade Unions and Employers Associations, to include ideas for grafting the now fashionable appetite for secret ballots on to the system.

One idea is to legitimise the use of ballots for testing shop-floor attitudes to sweeping corporate decisions — as was done by BL for its retrenchment plans. But that might mean offering the unions, rather than the employer, the opportunity to sound out opinion in that way.

Tha TUC appears convinced despite the reservation recently voiced by Mr. David Basnett, chairman of its economic committee, that the much-heralded economic policy U-turn will come soon rather than later.

Tarmac studies new Suez plan

BY MICHAEL CASSELL

TARMAC, the Wolverhampton-based civil engineering group has, with its Egyptian contracting partner, been asked to undertake a feasibility study for a second tunnel under the Suez Canal.

Osman Ahmed Osman, the joint-venture partner, and Tarmac are completing a £65m road tunnel under the canal a few miles north of Suez. The new tunnel might cost nearer £100m.

Last week President Sadat witnessed a tunnel breakthrough ceremony on the east bank of the canal and on his return to Cairo asked the consortium, to begin studies on a second similar project. The new tunnel would provide a rail link to Sinai, and would be further north, closer to Ismailia.

It is understood that President Sadat also wants to see a new bridge built, although at this stage Osmac is not involved in feasibility work for such a scheme.

The announcement of President Sadat's decision came at the end of a visit to Egypt by Mr. Cecil Parkinson, UK Trade Minister, who said he had asked Tarmac to consult him at once the group knew its likely role in the next tunnel project. The British Government, he said, would provide any assistance it could if Tarmac sought help. The feasibility study might be completed about the end of this year.

The form of Government assistance likely to be made available, if required, is not certain but might extend to exports credit guarantee cover or loan facilities. No UK financial aid was, however, forthcoming during the course of the first tunnel project and it is not yet clear whether any assistance would be required for the second.

Some 'Little Neddies' may go

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A DEBATE in the National Economic Development Council tomorrow on the country's overall economic difficulties will coincide with a reshuffle of some of the council's 50 sector working parties and development councils for individual industries, the so-called "Little Neddies."

Some of these, including those covering industrial vehicles and fluid power, may be abolished.

The economic debate will be based on answers to six questions about basic policies, tabled by the council and answered by the Government, CBI and TUC.

Though no important initiatives are expected, the meeting may assume greater historical significance in six months to a year.

It is the first time that the Government has invited leaders of both sides of industry to join it in such a debate.

The Government will stick to its monetary policies, but will also acknowledge during the council's meeting that it recognises the need for temporary schemes of short-term industry support.

This will be expressed in a paper from Sir Keith Joseph, the Industry Secretary, in a discussion on international industrial aid policies.

The CBI wants interest rates reduced and more help on taxation and business rates.

Industry expects more job cuts

BY DAVID MARSH

BRITISH INDUSTRY remains intent on slimming its labour force in the next 12 months to cope with the severe corporate squeeze and low order books as the economy enters recession.

Adult unemployment is already at a post-war peak. The FT Business Opinion Survey for April, published today, offers little hope of any significant lifting of the economic gloom during the next few months.

Companies are still concerned about high interest rates and the effects on competitiveness of the strong pound.

Optimism about business prospects has risen slightly, compared with March's low levels, partly because of the steel strike settlement.

But general confidence about the economic outlook remains around its most depressed for four years.

Of the three sectors surveyed, engineering was the most pessimistic. There was some improvement in confidence in the brewing and distilling industry and among paper companies.

Most companies felt stock levels were too high in relation to sales. About a third of respondents said their liquidity levels were too low.

More than 40 per cent expected a cut in their labour force in the next 12 months, against 15 per cent forecasting an increase.

General confidence about employment is the lowest for five or six years.

Order books and inflows continue at low levels, although there is some indication of a bottoming out in the steady downward slide in demand since last summer.

Among the few optimistic notes, companies report a slightly better outlook for costs. Forecast increases in wages and unit costs in the next 12 months show some signs of stabilisation—although at historically high levels—at about 17½ per cent and 14 per cent respectively.

Price increases in coming months were generally expected to be held at about 14 per cent, a fall compared with the last few months. The outlook for profit margins also improved slightly.

Weather

UK TODAY

DRY, with some sun. Cold in the east.

London, N.W., S.W. and central England, Wales, S.W. and central Scotland, N. Ireland
Mainly dry, with sunny periods. Max. 14C (57F).

N.W. and N.E. Scotland, Orkney, Shetland
Cloudy, drizzle in places. Max. 11C (52F).

Elsewhere
Dry, but rather cold, especially near coasts. Max. 13C (55F).

Outlook: Sunny intervals and showers.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	16	61	Locarno	C	17	63
Algiers	C	21	70	London	F	11	52
Amsdm.	C	10	50	Luxmbg.	S	11	52
Bahrain	S	33	91	Luxor	S	35	95
Barclna.	S	17	63	Madrid	C	15	59
Beirut	F	21	70	Majorca	S	21	70
Belfast	C	8	48	Malaga	C	23	73
Berlin	F	10	50	Malta	F	18	64
Biarritz	C	15	59	M'chstr.	C	11	52
Bmghm.	C	10	50	Melbne.	S	24	75
Blackpl.	C	13	55	Milan	C	13	55
Bordx.	C	16	61	Mntreal.	S	11	52
Boulgn.	C	10	50	Moscow	C	7	45
Bristol	F	12	54	Munich	R	4	39
Brussels	F	11	52	Nairobi	S	23	73
Budpst.	C	10	50	Naples	C	16	61
B. Aires	C	17	63	Nwcstl.	S	11	52
Cairo	S	28	82	N. York	S	25	77
Cardiff	S	12	54	Nice	C	15	59
Cas'b'ca	C	20	68	Nicosia	S	21	70
Cape T	C	17	63	Oporto	R	15	59
Chicago	S	25	77	Oslo	S	18	64
Cologne	S	12	54	Paris	C	13	55
Conhgn.	S	15	59	Perth	R	19	66
Corfu	C	20	68	Rkvlvk.	C	7	45
Dublin	C	9	48	Rhodes	F	21	70
Dbrvnk.	R	16	61	Rio J'o	S	27	81
Ednbgh.	S	8	48	Roma	C	19	66
Faro	C	17	63	Salzbrg.	C	5	41
Florence	C	19	66	Singapr.	C	28	83
Frankft.	S	11	52	Stckhm.	S	15	59
Funchal	S	20	68	Sydney	S	22	72
Geneva	C	11	52	Tangier	C	19	66
Gibrltr.	R	19	66	Tehran	S	24	75
Glasgow	S	12	54	Tel Aviv	S	20	68
G'rnsey	S	11	52	Tenerife	S	19	66
H. Kong	S	26	80	Tokyo	C	24	75
Innsbrk.	R	6	43	Toronto	C	24	75
Invrnss.	S	8	48	Tunis	C	20	68
I.o.Man	S	10	50	Valencia	C	21	70
Istanbul	F	20	68	Venice	C	15	59
Jersey	F	13	55	Vienna	R	5	41
Jo'burg	S	23	73	Warsaw	F	9	48
L. Plms.	S	22	72	Zurich	C	7	45
Lisbon	R	16	61				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

Long bond yields and inflation

Hardly a day passes without further convincing statistical evidence that the U.S. is in recession. Last Friday's contribution was a set of unemployment figures showing a seasonally adjusted rise from 6.2 per cent to 7 per cent in April; even if something is wrong with the seasonal adjustment, the underlying trend is unmistakeable. In the UK the statistics are not clear-cut—with consumer spending still looking firm in the first quarter, for instance—but in the past few weeks there have been signs of weakness in some areas of retail spending. In any case, the main trigger for the UK recession has been expected to be destocking by industry and distributors, and the CBI industrial trends survey last week certainly contained indications that growing number of companies consider themselves to be overstocked.

In this climate, bonds have been able to make progress on both sides of the Atlantic. After a steady advance last week the gilt-edged market is discounting a fall of at least two points in Minimum Lending Rate over the next few months, and the peak in long bond yields looks to the optimists to be well in the past.

But one serious worry remains in evidence: the rate of inflation. It is not just that buyers of long-dated gilts face an immediate negative real return of perhaps 7 or 8 points on the basis of the likely year-on-year inflation calculation for May. As is well known the figure is artificially swollen until July by the rise in the rate of VAT. But there is also a danger that the City is tending to be too optimistic about the slightly longer term outlook for inflation — especially as high current pay settlements and prospective public sector price adjustments are building a strong upward pressure on prices into the system for many months ahead.

Some historical perspective on this question is provided by brokers Fielding, Newson-Smith who have just produced an analysis comparing the present period of the business cycle with the years 1973-75. They find a remarkably good fit in the lags between the turning points of various economic indicators.

The peak of bank lending, the trough of unemployment and the peaking of wholesale input price rises have occurred, they consider, at the same stage relative to the peak of economic activity in 1979 and 1980 as in 1973 and 1974. But there remains a difficulty for bulls such as Fieldings. On the basis of 1973-75, long bond yields should not reach their peak until the end of 1980.

In 1974 short term interest rates were tending to ease, but the yield curve was steepening—which could be said to be a response to the deteriorating outlook for inflation which in turn was linked to the serious weakening of the Government's fiscal policy. Plainly, there is precious little protection for long bonds in the current reverse sloping yield curve if expectations should take a knock. So the market's bullishness needs to founded upon the important differences between 1974 and 1980.

The key point is the striking difference in the attitude of the Government. In 1974 the Labour administration, with a second General Election on its mind, was trying to stimulate the economy. Now the Conservatives have proclaimed a medium-term financial strategy, and although they are also quite likely to face the problem of an escalating public sector borrowing requirement—brokers James Capel are forecasting an overshoot by some £1.5bn—they will need to compensate for this through further measures if the strategy is to remain credible. Certainly, if the authorities depart from their straight and narrow course the long end of the gilt-edged market will have a bad attack of nerves.

Laird Group

The balance sheet write-off by Lairds Group in respect of the recently announced Patent Shaft Steel Works closure turns out to be £18m—as much as a third of shareholders' funds at the beginning of 1979. But with the aid of retentions and some judicious property revaluations, adjusted net worth is reduced only from £54m to £48m. And there is the minor bonus of a settlement of compensation for the nationalisation of Scottish Aviation, which means that although the shipbuilding claim still remains unresolved, Laird is now assured of at least £4.15m plus £0.5m in backdated interest against a book value of £3.45m for its nationalised interests.

Steelmaking losses helped push Laird's second half profits down by a sixth and for the full year the pre-tax figure is down from £11.1m to £10.7m despite the boom in transport engineering where profits are up from £5m to over £9m. Laird is also doing well as a supplier to Rolls-Royce, but there is liable to be weakness elsewhere later in 1980, and although pre-tax profits should improve it could be hard to beat the £12.95m achieved in 1970 ex Patent Shaft.

The main feature of 1980 is scheduled to be a shift back into cash surplus after the £9m outflow during 1979; capital spending will be down, and less will go into working capital. This could explain the renewed interest in acquisitions, with the purchase of Martlet from the Dunbee-Combex-Marx receiver being only one of a number of current possibilities. At 87p the shares yield only 5.7 per cent, but with strong cover even on a current cost basis.

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